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VIEWS ON COOPERATION, DEVELOPMENT POLICY FOR THIRD WORLD

Paris REVUE FRANCAISE DE SCIENCE POLITIQUE in French Oct 83 pp 797-816

[Article by Marie-Claude Smouts: "France and Third World Industrialization: A Kaleidoscopic Vision*]

[Text] * This study was based on written sources and oral testimonies. The following items were analyzed: The official speeches of the chief of state and the ministers in charge; the administrative reports published in LA DOCUMENTATION FRANCAISE and LE JOURNAL OFFICIEL and the documents and working papers kindly placed at the author's disposal by some services. The specialized press (MONITEUR DU COMMERCE INTERNATIONAL, BULLETIN DE PARIBAS, etc) and, above all, the professional journals, namely, LE MONITEUR DES TRAVAUX PUBLICS, EXPORTER and INDUSTRIES MECANIKES, which are very informative, were closely studied. Three types of people were interviewed: High officials in the involved ministries (Foreign Relations, Cooperation and Development, Industry, Planning and Territorial Development, and Foreign Trade); officials in charge of international relations at the CNPF [National Council of French Employers] and in some industrial federations (mechanical engineering and cotton industry), several heads of companies, investments promotion and industrial cooperation organizations such as the CEPIA [French Center for Industrial Promotion in Africa]; and "experts" in the press (MARCHES TROPICAUX) or in research organizations such as SEDES [Economic and Social Development Studies Company]). Some 30 people in all were interviewed. They have the author's thanks. This selection is clearly far too small for such a broad subject. It did not permit, among other things, the thorough study of the financial and commercial practices of aid to industrialization. The coincidence of answers by categories of interviewed people leads us to believe that the outline of the complex problems described in this study is a sufficiently faithful reflection of reality.

The emergence of an industrial world in the South is a multi-dimensional phenomenon. The principals involved in defining and implementing relations between France and the Third World analyze them from specific viewpoints, according to their interests, position and area of competence. There are many partners: Administrations, large nationalized firms, PME's [small- and medium-sized businesses], individuals, private groups, banks, etc. They all pursue their own, sometimes conflicting,

goals and discuss the subject accordingly. Yet, a common preoccupation fits into this kaleidoscopic vision, namely to reduce the gap between mercantile cynicism and naive utopia and to show that concern for French interests in terms of employment and foreign balances is not inconsistent with the desire to assist the development of the Third World. The willingness to think this topic through may be a feature of the French attitude. Yet, it is still far from having resulted in a doctrine shared by all concerned administrations and industrial enterprises.

Faced with the industrialization of the Third World, the various agents react to each event. There is no overall and coherent long-term strategy.

An Ambiguous Approach

The meaning of Third World industrialization depends on whether it is being considered from the commercial or cooperation viewpoint. In the first case, it is viewed as an aggravating factor in a more intensive international competition or as a potential source of new outlets for French exports. The emphasis is on foreign trade and the need to sell industrial products to developing countries. In the case of cooperation, conversely, it means helping those countries to build a suitable industrial network which will give them better social stability through the creation of jobs, promote their economic progress and lower their dependency through domestic industrial production instead of imports.

These three meanings of Third World industrialization--increased competition, future outlets and cooperation to be sought--are often confused in a same speech as though their distinct implications were always compatible. Reality is subtler.

In the words of a French industrialist: "The Third World has helped us to keep our heads above water." It is true that the French industrial balance, progressively declining since 1973, is showing a deficit in its deals with the industrialized countries (OCED members, but also the countries of the East) and that it shows a surplus only in the case of non-petroleum producing countries.¹ The latter made possible a surplus of 20 billion in 1982, by absorbing more than 20 percent of the total of French industrial exports, whereas imports of manufactured goods originating in the Third World accounts for 7 to 8 percent of our imports and grow at a slower pace than imports from other countries. Still, the particular structure of this surplus should be pointed out: nearly two-thirds of exports to the Third World go to African countries (French-speaking Black Africa and North Africa), with Asia and Latin America absorbing less than 15 percent each of sales to developing countries. The positive balance of industrial trade with non-petroleum producing PED's [developing countries] is therefore fragile since gains are concentrated in a small market, under frequently privileged conditions (franc zone)², whereas the deficit is located in trade with the dynamic countries of Latin America (Brazil) and Asia (Taiwan, Hong-Kong, Singapore and South Korea) which offer more promising markets.

Affected by spectacular bankruptcies (such as Boussac) and the collapse of some sectors of traditional industries (textile-clothing, leather and wood), the French public tends to overestimate the importance of the penetration of the domestic market by developing countries. To be sure, the situation varies greatly by sector and product, but, overall, although the competition with the PVD's [developing

countries] on the domestic market may have advanced over the last 10 years, it was caused by a limited number of countries and remains modest compared to that of the industrialized countries. The actual site of the competition with the Third World is in the foreign markets. The competitiveness of the new countries is manifested in a great variety of sectors: Textile-clothing, machine tools, ship building, electronics, chemicals and, lately, project study and development and capital goods.³ It competes with French production on the markets of the developing countries, particularly in Africa, but also in the industrialized countries. According to a study by Besnainou, 30 percent of France's losses on the West German market between 1973 and 1980, covering 26 categories of industrial products could be attributed to increased Third World's exports.⁴ The same study explains the decline of French exports since 1977 in terms of their sectorial structure, excessively concentrated on unimportant products "belonging to that range of products traditionally exported by the Third World."⁵ In fact, other than a few specific high points in areas always negotiated on the state level, therefore political and circumstantial (armament, nuclear, aerospace, telephone and railroad equipment sectors), the range of products offered by French industry is often no broader than that offered by the newly industrialized countries (NPI) and sometimes not as well suited to the cultural and economic realities of the Third World countries. France's surplus trade balance with the non-petroleum developing countries could, therefore, be threatened by the intensification of the industrial production of the countries of the South.

Yet, overall, the Third World's contribution in worldwide industrial production remains small (roughly averaging 11 percent, according to UNIDO which anticipates between 15 and 16 percent for the year 2000) and its share in international trade remains modest.⁶ However, the gap is mostly widening among the few countries accounting for 90 percent of the output in the Third World⁷ and the less advanced countries (PMA), many of which are Black African countries linked to France historically and by cooperation agreements.⁸ Without emphasizing it too much in order not to be suspected of wanting to destroy Third World's unity, French officials tend to differentiate among developing countries according to their level of industrialization. The question therefore is: "What kind of strategy? For what kind of industrialization? For what kind of Third World? Who benefits?"

Politically, the first answer to this four-pronged question is a general and voluntarist statement.

Aid To Industrialization: A "Crisis-Resolving Strategy?"

As soon as President Mitterrand took office, he made Third World aspirations one of his main policy lines. He wanted to show his determination to work for "more justice and dignity" and to propose "a different policy."⁹ The goals of the "new cooperation" were to increase aid to the countries of the South, step up trade and strengthen French contribution to development.

Desirous of convincing both their Western partners and French domestic opinion of the need to bridge the gap between the North and the South, by working for development, the officials entrusted with the implementation of this policy are called upon to offer the Third World aid as much, if not more, out of economic necessity, as out solidarity. Mitterrand declared on 1 September 1981, during the opening of

the Paris Conference on PMA's: "To help the Third World is to help oneself out of the crisis." Since then, the chief of state has steadily formulated a neo-Keneysian analysis of North-South relations, close enough to that advocated by the Brandt Commission. He insists on a percentage of public aid to development, the need for more aid to the Third World which, in turn, by developing, will contribute to French industrial recovery through its orders. He explains:

"Although not immaterial, this does not involve universal generosity or fraternity. It involves our interest... (one cannot see how without a suitable international action) not only how Third World countries could avoid bankruptcies in the making, but also how our markets could be broadened by the hundreds of million, soon to be billion, men and women waiting to consume and therefore produce."¹⁰

The minister of foreign relations who, shortly before taking office, was suggesting "a universal 'new deal,'"¹¹ expresses the same view.

However, the chief advocate for a recovery, not "through" the Third World, but "with" the Third World, has been Jean-Pierre Cot who is still heading the Development Office at the Ministry of Cooperation and Development. "The development of the countries of the South is an important dimension of any effort out of the crisis." This frequently repeated theme proceeds as much from a deep-seated conviction and political voluntarism as from an economic analysis. The evidence rests on a study ordered by the Ministries of Planning and Cooperation shortly after the formation of the first Mauroy government. Drafted by a commission headed by Gabriel Ventejol, it is known as the "Berthelot-de Brandt Report."¹² It is significant that Jean-Pierre Cot commented on its conclusions to the press even before the study was fully completed.¹³ By proving that trade with the Third World had the overall effect of creating jobs between 1973 and 1980 and that it had contributed to the preservation of the foreign trade balances, these conclusions had come just in time to strengthen the arguments that an active policy toward the South was serving national interests. To convince the public and private bodies that "action on behalf of development was in the interest of the donor, namely France"¹⁴ was a prerequisite for the implementation of an ambitious cooperation policy anxious to express through deeds the new government's responsiveness to the "Third World."

Economists and the administration, however, are far from having a unanimous opinion regarding this diagnosis. No one denies the relationship between growth in the North and development in the South, but the shrinking volume of world trade sheds doubts on the development of interdependency and the substantial indebtedness of the new countries in terms of the North-South relations. A report published by the CEPRI [Prospective Studies and International Information Center] shortly after the "Berthelot-de Brandt Report," leads to a rather different dual conclusion: "The opening of the Third World to trade does not necessarily result in additional profits for the developing countries,"¹⁵ and "a new recovery for the South is unlikely."¹⁶ Although the report admits that "The problem of resources to be granted Third World countries for their development during the 1980's remains whole; in the worldwide context of rising protectionism, the risk of these countries successively collapsing would increase and the equilibrium of international financing would be threatened," it does not reach the conclusion that industrial cooperation with the

South must be encouraged. It advocates instead an industrial policy on a European scale and states that "Between now and 1990, it will not be from either the South or the East that the world economic recovery will come. The West must find within itself the stimuli for a new growth."¹⁷

It seems that the Ministry of Foreign Trade and Finance also agrees with this diagnosis. Taking into account the serious financial difficulties which France is currently experiencing, these two departments are, first of all, concerned with reducing the deficit in hard currency countries. As for the industrialists, although Third World exports remain, for many of them, a decisive factor in their sector (heavy vehicles, project study and development, mechanical engineering, railroad industries, etc), they nonetheless believe that, taking into account both the PED's indebtedness and the monopsonistic situation of most new countries (one buyer but no clients), recovery can only be accomplished /by/ [in italics] the industrialized countries. It will /also/ [in italics] involve the Third World, but only to the extent to which exports to the PED's are instrumental in increasing trade among industrialized countries.¹⁸

It is rather difficult to identify an official stance in this debate at the Ministry of Industry. There have been four ministers over the past 2 years; they were all absorbed with day-to-day management, reorganization plans and nationalizations and their consequences.

The Third World is nothing more than a remote reality in the great battle aimed at restoring to France a competitive tool. Yet, during his last month in office, Chevènement had been responsive to this issue. Under his prompting, a conference dealing with industrial relations between France and the Third World was to be held in Marseille in May 1983. Chevènement had also launched the "Scientific Research and Technological Innovation at the Service of the Third World" Program as one of the "mobilizing programs" set up by his ministry.¹⁹ However, one cannot help but wonder if it were not the minister of research rather than the minister of industry, who was acting in this matter. To the same extent that real though has been given to industrial cooperation, the implementation of a real strategy is still slow in coming.

Definition of a Doctrine on Industrial Cooperation

Whatever the projections on the future of world economy and the respective roles of the North and the South may be, it is unanimously agreed that the gradual industrialization of the Third World is, at the same time, an inescapable economic process and a major political demand. It is therefore necessary for France to formulate a coherent policy in order to satisfy both the PED's demands, anxious to go beyond the stage of traditional trade relations (sales of turnkey factories, large-scale contracts, etc) and those of the French enterprises concerned with employment, financial balances and guaranteed investments.

Talk on the subject remained confused after 10 May. The following was recommended helter-skelter: "Self-focused" development and co-development, opening to the Third World and the "reconquest of the domestic market," notwithstanding the obvious incompatibility of these key words which have, after all, a far from clear meaning.²⁰ The gradual closing of the gap between these contradictions (in words if not in

deeds) was not the result of high-level political arbitration but of a thoughtful effort carried out within the services, as well as the ad hoc commissions, like the one chaired by Jacques Berque, and working groups rallying officials from the various ministries, particularly from Foreign Relations, Cooperation and Development, Industry and Planning. The well-known logic of the bureaucratic model which requires that each administration first defend its own goals, was tempered by shared values and ideals bringing together men and women sincerely convinced not only of the need to assist development but also to be realistic in order to be heard. The meetings and the preparatory work on the Ninth Plan also favored this search for a basic doctrine on industrial cooperation, respecting the sovereignty of the countries, but guided by a few basic guidelines, which could both contribute to the development of the countries involved and be accepted by all the French partners.

The self-focusing and co-development concepts were refined and defined. The self-focused development strategy is now viewed not as a break with the world market, but as a strategy aimed at developing the PED's production capacity on the basis of their own resources and domestic needs, as opposed to the extroversion strategies which give priority to foreign demands. As applied to less developed countries, it leads to giving priority to self-sufficiency in the matter of food supplies, the on-site processing of basic commodities and the manufacturing of prime consumer goods. It presumes a small industry integrated within the agricultural sector and, on that point, Christian Nucci adopts his predecessor's analysis although he does not use the language of self-focusing. He advocates "light, flexible equipment adapted to the production and consumption sectors" in order to improve the market organization within the countries and to limit losses resulting from transportation and packaging problems. His slogan is: "Better 10 projects worth one million than one project worth 10 million."²¹ The favored formula is the promotion of joint industrial enterprises, bringing in as associates of the PED's and their heads of enterprise French industrialists capable of providing technological, financial and commercial assistance and control over enterprise industrial management.²²

The self-focusing concept, even more ambiguous, if possible, than the co-development concept, was also clarified. The expression remains ill-advised due to the shocking way in which it identifies the situation of the PED's with that of France by forgetting the structural characteristics of underdevelopment and, in particular, the noninvolvement of a large segment of the Third World population in the industrial process (an economist remarked one day that "India was an industrialized country of 100,000 inhabitants!"). Yet, the language of co-development is interesting because of the philosophy behind it. It expresses, in fact, the desire to exchange the purely mercantile nature of the contracts between the French enterprises and the PED's, for a broader and more stable organization of long-term trade with interested countries. These contracts would be incorporated into bilateral overall economic agreements covering several years, linking trade among the various sectors and fields of activities (construction, energy, agriculture, investments and financing) and based on the reciprocal desire to achieve long-term balanced relations.

The partners would jointly study the "areas of shaded interest" favorable to this type of agreement, which would guarantee the stability and predictability of the fluctuations.

Such a "contractualization" of industrial relations involves "real planning entailing important basic choices and based on public initiatives,"²³ as well as the implication of economic agencies, banks and enterprises, willing to go beyond the framework of purely trade relations in order to forge ahead and conceive of the establishment of complete production networks. The countries being considered for this type of contracts (first called "target countries" and now called "support points") are: Mexico, Algeria, Nigeria, India, Zimbabwe... and Quebec. There is however, a trend to use the co-development language cautiously and to keep it for the study of sectorial plans involving the organization of a very thorough bilateral cooperation associating states and private agents for the joint development of a given sector of activity. The future alone will tell if this idea, alluring in principle, is applicable and if the asymmetry of the trade between developing and industrialized countries can be corrected thusly.

More urgently, the new industrial cooperation involves a three-pronged effort on the part of the French enterprises, namely, the adaptation of technologies and products to Third World requirements and needs; greater attention paid to problems of maintenance, upkeep and industrial training; and priority to the installation of industrial projects with a high rate of local involvement: "We must help our partners to acquire factories which run well and which they can supervise, designed to produce, with the help of suitable manufacturing processes, the goods most useful to them."²⁴

Thus summarized, an overall view of France's industrial relations with the Third World emerged, taking into account the PED's desire to go beyond strict commercial planning and incorporating industrial exchanges in their development strategy. This doctrine supplies the general ideas from which politicians can draw inspiration and justifies talks, very useful in encompassing the big contracts discussed during a visit (Mitterrand's statements in May 1983 about supplying nuclear plants to China--submitted as an example of transfer technology--are a case in point).

It remains for the political authorities to define the tools and means of industrial cooperation and to overcome the industrialists' skepticism and the administration's inflexibility or, in other words, to switch from words to actions.

Interface Between Aid and the Laws of the Market Place: The Industrialists' Viewpoint

Political talks on cooperation with the Third World are met with skepticism, if not reticence, by the chief decision-makers on the subject, namely, the industrialists. To be sure, they do not make up an homogeneous bloc and the enterprises must be differentiated according to their size and sectors of activity, but they all concur in considering the Third World as being, primarily a market and the PED's as being primarily clients. It would be erroneous to believe that the long-term positive implications of Third World industrialization remain unnoticed. The PED's need to have an industrial network, making possible the creation of jobs indispensable for political and social stability and, particularly, for controlling a very strong demographic pressure (threatening to developing countries), is well understood. What follows, however, is a logic which is not that of the enterprise. The PED's industrialization is a threat from the production and exportation viewpoints. During our talks, the fear was often expressed that once they become industrialized,

the PED's will no longer purchase products from French industries, but will buy what they will need from Japan.²⁵

Yet, considered dangerous on a long-term basis, industrial cooperation is considered, at the same time, indispensable in the short-term, as it gives access to raw materials, gains new markets, consolidates existing facilities and improves techniques.²⁶

Within this contradiction, the discussions held within the administration appear sometimes superfluous and sometimes unrealistic to the enterprises.

In fact, the large groups have practiced industrial cooperation (45 percent of the total French industrial cooperation go through them²⁷) for a long time. Their involvement in the PED's vary according to conditions which can range from a policy of collaboration with local PMI's [small- and medium-sized industries] (PUK in Niger) to joint-venture associations (Peugeot in Nigeria), to even agreements on technological control (TECHNIP in Brazil).²⁸ For them, incentives for new forms of industrial relations are redundancies. When, however, their practices deviate from the desired ethics in the new relations between France and the Third World, it is hardly likely that they would be changed.

The persistence of a more or less secret former influence in French-speaking Africa, the way in which contracts are signed, often escaping the host country's planning and negotiated privately, and certain overbilling customs, all of that contributed to giving France an image different from that desired by the current government, but nevertheless remaining uncontrollable. Private or nationalized, the large groups are citadels (take for example Elf and its autonomy of action in Gabon and Cameroon).

If the methods of the new industrial cooperation are advantageous to them, they demand governmental intervention only for better information and a concomitant financial policy; if they are not, they will accept to abide by it in exchange for sharing public authority.

The co-development philosophy can contribute to the creation of a "climate" favorable to France's foreign trade, although the chosen countries in which to implement this philosophy are also those toward which competing countries direct their efforts. The enterprises recognize that some of the high-level visits have contributed to the opening or reopening of some markets.²⁹ However, for some industrialists, the essential remains "the terrain" and quick returns on investments. It is on the basis of this major concern that they welcome governmental incentives.

Jean-Pierre Cot lamented that "The idea, simple after all, that our products must be adapted to the PED's needs has, unfortunately, not yet energized those in charge of French industrial policy, despite the requirements of foreign trade."³⁰ As it happens, however, this concept, often put forward, including by the chief of state, is not "simple" to implement. The adaptation of the products and techniques to local consumption and production conditions requires research and innovation. Most of all, it presupposes that the relationship between the cost of implementation and production and the market outlook, is advantageous. As it stands, the limitations of the local market and outlets in most PED's, especially in Africa, prevent substantial savings and raise the question of investment repayments. There is an

aid-to-innovation procedure (SOFINOVA) which offers up to 75 percent financing if, when applied, the adaptation of a process links a small French enterprise to one or several PME's. This interesting procedure, however, is limited by the requirements set by its implementation and the enterprises remain fearful of it. France also has a GRET (Technological Research-Exchange Group), similar to the German GATE, whose current task is to study appropriate technologies,³¹ especially in the case of less advanced countries, in contact with the ministries of Foreign Relations, Cooperation, Research and Industry and Urbanism and Housing. This organization, however, remains small and its means modest as compared to those of its counterpart on the other side of the Rhine. Without strong state incentives and the public financing of research for this type of technologies and products, it will be very difficult to adapt the French offer to the requirements and needs of the Third World countries. Taking into account the deficit of France's technological balance of payments and its difficulties in maintaining its competitive position in many key sectors, we can be skeptical concerning the "research development" share to be allocated to the "appropriate" technologies. Priorities lie elsewhere. Furthermore, it should not be forgotten that the French practice is to export technology-intensive products to Africa (40 percent) and the Middle East (35.6 percent);³⁶ any readaptation will imply a difficult and costly period of adjustment.

The French position regarding the more general problem of technological transfers is very ambiguous. On the one hand, as it is the chief of state's firm desire, France refuses to relinquish jobs "to the deceptive ease of production and international distribution,"³³ such sectors being precisely those opened to Third World competition, namely textiles, chemicals, iron and steel industries, wood or furnitures and machine tools. The key word being: "There are no condemned sectors, there are only decrepit factories or works,"³⁴ the government is betting on key technologies to regain the domestic market and to improve foreign trade (it cites as an example the achievements of a ready-to-wear industry in the Puy-de-Dôme which succeeded in winning over "the Hong-Kong and Southeast Asian markets" owing to substantial productivity improvements through the use of laser technology!).³⁵ On the other hand, France would like to be opened to Third World demands in the matter of technological transfers and industrial control. As for the CNPF, its position is totally clear: although enterprises may be ready to sell know-how when it is the only means of penetrating some of the markets and although they may begin to accept the idea that "in time, and practically on all Third World markets, a country will no longer export products if it is not willing to export at the same time the mastery of certain techniques,"³⁶ they are not willing to transfer to the PED's either key technologies constituting a relative advantage or processes for which they have no competition (pharmaceuticals, for example). Their concern is to avoid the "boomerang" effects of technological cooperation with the Third World by protecting their know-how and limiting the risks of international competition.

The CNPF believes that the long-term competitiveness of the French industry must go through investments abroad. It encourages enterprises to invest in Third World markets on condition that they keep, on the one hand, a technological trump (that the technological advance be kept in the main office) and, on the other, a legal trump (that they retain, through a contract, the management of the venture and keep control over the exploitation even when they are minority owners).³⁷ A trade policy is no longer sufficient to conquer new markets, keep the old ones and, most of all, shield themselves from the growing protectionism of countries trying to protect

their budding industries (Nigeria, Brazil, etc). Long-term industrial investments must accompany short-term exports. Furthermore, whether the industrial cooperation methods may be, related investments or co-investment formulas are always needed.³⁸

Unlike the other large industrial countries, France does not publish in a systematic fashion, data pertaining to direct investments abroad. This factor has affected the ambiguous manner in which the phenomenon is perceived.³⁹ It is believed that close to one third of those investments are made in Third World countries and that, for the most part, they are oriented toward energy and the metallurgical industry.⁴⁰ Not only are French investments oriented more toward the PED's than those of the United States, Great Britain or the FRG (directed more toward the industrialized countries), but they are directed more toward the non-petroleum producing PED's, especially in Black Africa, than toward the NPI's. Any increase in foreign investments abroad and any effort to diversify in order to reach more promising markets come up against a twin obstacle, i.e., social and political on the one hand, financial on the other. When such investments involve a "move," that is to say, the transfer of a productive activity outside the national territory, it creates fear among the personnel of the enterprise and trade-union hostility. Yet, the effects of production internationalization are difficult to detect with precision and do not necessarily result in the loss of jobs in France.⁴¹ Even in the case of investments aimed at conquering or retaining a market, the industrialists believe that the governmental policy discourages setting up new ventures abroad: "Sometimes we are told to 'Go invest in new markets,' sometimes we are considered traitors if we do so."⁴² Yet, the main obstacle is of a financial nature. French enterprise capital does not allow enterprises to finance investments in the Third World. In order to reduce their risks, the industrialists have recourse to few organizations (COFACE the French Foreign Trade Bank, the Industrial Development Center in the framework of the Lome Convention, etc), but they find it very difficult to obtain funds. On the International level, they can appeal to the IFC (a branch of the World Bank) or the BEI (European Investment Bank), but the loans the latter make are very small.⁴³ On the French side, the Central Economic Cooperation Fund is the first organization to operate as a banker. As for the Treasury, it grants loans in the framework of governmental agreements, linked to grants to less advanced countries.

The DIE (Development of Investments Abroad) procedure makes it possible to back up an enterprise's own funds in order to finance an investment abroad. As for PROPARCO, a branch of the Central Economic Cooperation Fund, it acquires minority shares in industrial cooperation projects in Africa. These mechanisms, however, are not considered sufficient to encourage the industrialists to invest in risky countries. The need to create in France an organization similar to the German DEG⁴⁴ is often mentioned. Currently, the financing methods in France are essentially conceived to help exports rather than to invest in PED's. Added to this, is the scarcity of foreign exchange and foreign exchange control measures, making it even more difficult to set up new ventures in the countries outside the franc zone.⁴⁵

What Kind of New Measures for a New Policy?

In a market economy and flexible planning system, the government cannot cast itself in the role of an official in charge of a unified strategy toward the Third World. However, a lesser allocation of resources and the formulation of a clear policy expressed through deeds would already be a first step toward the implementation of

a coherent and concerted strategy between public partners and private agents. France has a vast capital of experience and good will wasting itself in bureaucratic stiffness, departmentalization and poor transmittal of information.

The restructuring of the cooperation and development services suited this goal. The creation of a sub-directorate for industrial development reflected the interest shown in an aspect of cooperation until now less extensive than aid to rural development or large infrastructural projects. Most of all, however, the creation of an office of development policy expressed the desire of the ministry to do less work on an individual basis and only on "projects," by adopting a more global vision of development problems in countries under consideration, with a macro-economic approach which had been lacking until then. Within this office, the Bureau of Sectorial Strategies-Industry is considering initiating studies aimed at formulating "sectorial plans" in order to program better industrial aid and cooperation. Results and consequences of its decisions are, however, still in the future.

So far, the reform has rather complicated the implementation mechanisms of industrial projects by increasing the bureaucracy and the number of authorization needed for each stage.

New financial measures should have corresponded to the new policy. As it stands, no basic change has occurred: It was decided at the limited council meeting of 6 June 1982 that the FAC (Aid and Cooperation Fund) would go to the "traditional" area of privileged relations, i.e., Africa (exception made of the Lesser Antilles). Furthermore, these credits (1.2 billion francs) declined in real value since they only rose by eight percent in 1983, as compared to 1982, before they were subjected to a 25 percent freeze in January 1983. Let us, therefore, be satisfied with minimal planning (800 million francs) on the basis of projects in progress and inescapable commitments. The appropriation of resources still remained unclear in May 1983, and the various sub-directorates were still in the dark about the exact total they would have available during the year. For countries outside the FAC, the restriction had even more serious effects, in view of the limited credit allocated for cooperation to countries other than those in Black Africa or the Maghreb. The various diplomatic posts had to define their minimum program on the basis of operations already under way. The financial crisis limited the necessary maneuvering room all the more since in times of shortage, budgets are managed with maximum rigidity.

In another connection, by abandoning the Interministerial Delagation for Cooperation and Development which was directly linked with the prime minister, the government deprived itself of a precious coordination and arbitration tool.⁴⁶ For industrial cooperation alone, there are some 20 offices under different ministries, each having its own area of competence and methods and jealous of its prerogatives (Cooperation and Development, Research and Industry, Economy and Finance, Foreign Trade, National Education, technical ministries, etc).⁴⁷ In the primary field of aid for industrial training, this dispersion of resources is so blatant that when a training program is to be established for a given industry in a given country, there is not even any complete inventory listing what the various agencies involved can offer. A report ordered by Michel Jobert on "The Export of Training"⁴⁸ notes the inadequacy of what France offers the Third World in that field. Adopting the conclusions of the Vivien Report on this issue, it "Notes the importance of the

technical assistance allocated for primary and secondary education (91 percent) and the limited French cooperation in the field of technical and professional training." Now technical cooperation is an important form of technological transfer, and it is also the basic element in the success of any industrial cooperation. The French offer is often too abstract, too literary and insufficiently integrated into the production system. It is judged to be "anarchistic, heterogeneous, and without real strategy in terms of foreign demand. It lacks organization and appears too compartmentalized."⁵⁰ Here again, a comparison with Germany is unfavorable. In that country, financing procedures for training contracts by the Public Development Bank of the Ministry of Cooperation were formulated together with a "joint credits" procedure including private loans and public aid for the financing of various projects. The structure of the training courses and scholarships is also different: "Whereas France has tended to provide scholarships and courses in the traditional educational sectors, conversely, Germany has extended training to the technical sectors more directly linked to the needs of developing economies."⁵¹

Industrial training in France is the endeavor of private entities (large industrial groups, professional federations, project study and development companies and vocational schools), although public activities and financing dominate the training structure. ACTIM (Technical, Industrial and Economic Cooperation Agency) is the main public organization involved in training abroad. It intervenes either when it comes to assisting a French exporting enterprise having to train personnel abroad, or meeting the request of foreign enterprises or governments. However, its resources are limited and its methods for specific cases lack an overall outlook. Integrated financing procedures mobilizing various groups for specific projects exist for African countries and the Maghreb. They are applied mainly by the FAC and CCCE, but nothing like it exists for Asian and Latin American countries. The possibilities offered through the multilateral organizations in countries with which France has no traditional ties are not really exploited. Suffice it to leaf through the UNIDO 1983 yearbook, listing available industrial training courses offered to cadres from developing countries to note the small number of French participants. Suggestions have been made on how to organize better the French answer to PED needs and to involve both the public and private sectors. The Economic and Social Council was asked for its opinion on the problem.

A great deal of thought has been given to this situation. It covers the virtually entire range of issues resulting from a new industrial cooperation which requires something other than "selling concrete" to traditional customers. Meanwhile, talks have outstripped thoughts and resources. To speak truthfully and to narrow the gap between talking and acting without, for all that, foregoing basic values is the challenge that Third World industrialization hurls at post 10 May France.

FOOTNOTES

1. See Bernard Bobe, "France's Foreign Trade With Third World Countries," in "Impact of Relations With the Third World on the French Economy," by Yves Berthelot and Jacques de Brandt, Paris, LA DOCUMENTATION FRANCAISE, 1982, appendixes, pp 5-53.
2. See Denis Besnainou, "Competition Between France and the Countries of the South," appendixes, in Y. Berthelot and J. de Brandt, op. cit., pp 56-92;

and Jean Lemperière: "As a whole, the figure for our sales to the PED's gives an unrealistic and not too enticing picture of the competitiveness of the French industries. As a matter of fact, nearly 40 percent of French exports to the Third World go to privileged markets where they benefit from conditions which would be difficult to find elsewhere," *MONITEUR DU COMMERCE INTERNATIONAL*, 4 January 1982, p 47.

3. See Jean Lemperière, "The Erruption of New Countries," *ACTUEL DEVELOPPEMENT*, 49, July-August 1982, pp 46-49.
4. D. Besnainou, "Competition Between France...", art. cit., p 69.
5. Y. Berthelot, J. de Brandt, "Impact of Relations With the Third World...", op. cit., vol 1, p 32.
6. See the CEPII on "The Share of Various Development Areas in World Commerce," in "World Economy: The Rise in Pressures," Paris, *ECONOMICA* 1983, p 230.
7. See Christine Brochet: "Twenty-two countries account for 90 percent of the VAM (added value in the manufacturing sector) of 117 Third World countries. The first five countries alone, namely, Brazil, Mexico, India, Argentina and the Republic of Korea, account for approximately 60 percent of this VAM ("Third World Industrialization and Return Effects," Y. Berthelot, J. de Brandt, "Impact of Relations With Third World...", op. cit., appendixes, p 299).
8. See Marie-Claude Smouts, "The PMA Concept, A Difficult Beginning," in "What Kind of Cooperation for What Kind of Development?," Paris, Studies and Research of the IFRI, 1981, pp 49-59.
9. Interview given to *CROISSANCE DES JEUNES NATIONS*, May 1981.
10. Speech delivered at the conclusion of a two-day seminar on French industrial policy, on 16 November 1982, in "An Industrial Policy for France," Paris, *LA DOCUMENTATION FRANCAISE*, 1983, p 428.
11. *LE MONDE*, 30 April 1981: "Numerous recent studies have shown that an industrialized country earns more by supplying the equipment and techniques of industrialization to the Thrid World than it would lose later by importing a share of the new production thus created," *LE MONDE*, 30 April 1981.
12. "Impact of Relations With the Third World...", op. cit.
13. 10 May 1982.
14. Cf. *LE MONDE*, 12 May 1982. See also the speech delivered by the minister before the French Center for Industrial Promotion in Africa (CEPIA), on 22 June 1982.
15. CEPII, "World Economy...", op. cit., p 229.
16. *Ibid.*, pp 235-238.

17. Ibid., pp 10.
18. Interviews.
19. Professor Jacques Berque's report on that theme, "Research and Cooperation With the Third World. Report to the Ministry of Research and Industry," was published in Paris, by LA DOCUMENTATION FRANCAISE, in December 1982.
20. On this subject, see Pierre Judet, "North-South Relations: Putting Things in Their Place," *ECONOMIE ET HUMANISME*, 268, 1982, pp 5-15, and Jacques de Brandt, "International Division of Labor, Reconquest of the Domestic Market and Self-Focused Development: What Kind of Reconciliation?," *REVUE D'ECONOMIE INDUSTRIELLE*, 19, first quarter 1982, pp 90-104, as well as the controversy between André Grjebine and Gérard Fuchs, *ACTUEL DEVELOPPEMENT*, 47, March-April 1982, pp 22-25.
21. *LE MONDE*, 6 April 1982.
22. Task that an organization such as the CEPIA, created in 1972 by Paul Huvelin, set for itself. Other industrial promotion organizations exist: ADIAA (Association for the Industrial Development of South Africa) and the SODALCO (Society for the Industrial and Commercial Development of Latin America) the main purpose of which is to facilitate the opening of small- and middle-sized industries (PMI).
23. Michel Rocard, a fiery defender of the co-development concept, *ACTUEL DEVELOPPEMENT*, 46, January-February 1982, p 10.
24. Jacques Berque, "Research and Cooperation With the Third World...", op. cit., p 68.
25. Particularly in the mechanical engineering and textile equipment sectors.
26. See "Industrial Cooperation: A Future Path for Development," a report of the working group of the Enterprise Institute on "Industrial Cooperation, North-South Center of the Enterprise Institute, 2, May 1982, pp 12-15.
27. Figure submitted by the Ministry for Cooperation and Development.
28. All of these examples are taken from the survey conducted by the Enterprise Institute, "Industrial Cooperation...", op. cit.
29. In October 1982, Pierre Bataille, president of the National Trade Union for MTPS (handling equipment, civil engineering and iron works) Equipment Industries said: "During the first semester of 1982, Algeria became the first client of our sector before Saudi Arabia and Iraq, whereas Germany which traditionally held the first place, fell back to sixth place." (*LA VIE FRANCAISE*, 25-31 October 1982).
30. *LES ECHOS*, 23 November 1981.

31. For an opinion on the study of problems related to the appropriate industrial techniques, see the collective work under the guidance of Christine Brochet, "Appropriate Industrial Technologies and Industrialization," Paris, Minister of Cooperation and Development, 1981, 314 pp.
32. Paribas, "World Technological Exchanges," *CONJONCTURE*, October 1982, p 133.
33. "An Industrial Policy for France," *op. cit.*, p 424.
34. *Ibid.*
35. *Ibid.*, p 425.
36. Alain Weil, "Technological Transfers to Developing Countries by Small- and Middle-Sized Industries," Paris, LA DOCUMENTATION FRANCAISE, March 1980, p 21. Cf. also the part on technological cooperation in the Berque Report, *op. cit.*, pp 66-74.
37. Yvon Gattaz, 22 June 1982, before the CEPIA. This viewpoint was confirmed during several interviews.
38. Interviews.
39. See Dominique de Laubier's study, "French Investments in the Third World and Their Impact on French Economy," pp 110-134 in "Impact of Relations With the Third World...", *op. cit.*, appendixes.
40. Ministry of Economy and Finances, "Blue Notes," 88, September 1982.
41. See D. de Laubier, *art. cit.*, pp 121-123, as well as the IEDES [Institute for the Study of Economic and Social Development] study for the North-South Center of the Enterprise Institute, "The French Investors' Strategy in the Face of Competition by Low Income Countries," February 1982.
42. Interviews.
43. Within the framework of the Lome Convention, BEI granted only 159.5 million ecus in 1982, as compared to 209.8 in 1981.
44. See Anne-Marie Le Gloannec's article in the October 1983 issue of *REVUE FRANCAISE DE SCIENCE POLITIQUE*.
45. The total amount of the investment abroad for an enterprise has a ceiling of 1 billion francs (1982) and since July 1982, the Treasury requires that three-quarters of investments abroad be made in foreign exchange.
46. See Stéphanie Hessel's article, *LE MONDE*, 27-28 March 1983, p 3.
47. See Jean-Pierre Cot before the CEPIA, speech *cit.* On this occasion, the minister had spoken about the possibility of creating an Industrial Cooperation Institute which would have coordinated the various offices.

48. Paul Di Rosa's report, January 1983 (unpublished).
49. Report ordered by Jean-Pierre Cot from Alain Vivien on "Technical Cooperation Assistance Personnel," July 1982. Another report entitled "Proposal for a New Cooperation Policy in the Training Field," submitted to Jean-Pierre Cot in March 1982, also brings to light the need to redirect technical aid in Africa.
50. Di Rosa's report, cit., p 97.
51. Ibid. p 125.

6857

CSO: 3519/68

GOVERNMENT COMMUNIQUE PRESENTS FOREIGN POLICY GOALS

Madrid YA in Spanish 20 Oct 83 p 12

[Text] The government has addressed to Congress a communique which will serve as the basis for the general debate next week on foreign policy. The two chief elements presented are the plan to make Spain a greater force in international affairs and the nation's need to improve relations with neighboring states and allies. The coming debate, similar in its origins to the recent discussions on the "state of the nation," was requested in June by the opposition, which has now decided to request the firing of Foreign Affairs Minister Fernando Moran.

According to information obtained yesterday by YA, although the contacts have not been made as yet, it is very probable that the people's group, the centrist group, the Catalanian minority and the Basque group will join in support of a motion which could include mention of membership in NATO.

Joaquin Molins, the spokesman for the Catalanian minority, who will take part in the debate, declared that no plan had been made to request the firing of Moran at the plenary session, since the president of the government is just as responsible for the misguided foreign policy as the new minister.

The government's communique was disseminated yesterday to the leaders of the parliamentary groups. It provides a description of the basic principles of foreign activity and holds to the socialist commitment to "consult the citizens on the manner in which Spain should contribute to the defense of the West."

The communique reiterates the decisions already taken by the government: to move toward greater autonomy; the need to avoid introducing destabilizing elements into the world scene; a statement clearly supporting the West, without falling into mechanical alignment; intensification of the integration process with Europe; improvement of relations with neighbors; the development of a realistic policy on Iberian America and the pursuit of a new international economic order.

On the question of Spain's membership in NATO, the government holds to the promise to consult the Spanish people "on the manner in which Spain should

contribute to the defense of the West," but notes that the referendum will not take place during times of international tension. No date was set.

The document emphasizes that the former centrist regime "brought Spain into NATO in a precipitous fashion." The government insists on suspension of the process of integration into the military structure, but points out that Spain will be "a firm, solid and cooperative ally as long as it remains in the Alliance."

Installation of Euromissiles

Regarding the installation in the near future of the "Euromissiles," it is noted that the Spanish president "has shown sympathy for the position which could be adopted by the European nations concerned about the two-track decision of December 1979, but always keeping in mind the unique situation of Spain, which was not then a member of the Alliance and did not participate in the formulation of the position."

The communique states that as a mid-sized power Spain must promote the arms control process; it recognizes that this type of action is monopolized by the great powers. In this regard, the government notes its desire to take part and to broaden the Geneva Disarmament Committee to include other nations; it announces that it is studying various actions, including an especially important one regarding chemical warfare.

The government reaffirmed its intention, as an important part of Spanish foreign relations, to maintain the bilateral relationship with the United States, and made note of the cancellation of the bilateral arrangement with the NATO military structure pending the possibility of reform.

According to the communique, in recent months it has been possible to clear obstacles from the path of the negotiations toward joining the EEC.

Bad Relations with Neighboring Nations

The relations with neighboring and friendly nations, such as Great Britain, France, Portugal, Morocco and Guinea, can be improved. The government speaks of the need for cooperation with France to improve the process of integration with EEC and to eliminate terrorism. Regarding Portugal, it noted specific problems, such as fishing and the trade imbalance, which must be resolved within the framework of the integration of both nations into EEC. Regarding Great Britain, the communique dwells on the Gibraltar controversy and notes that its action aims to change the unilateral British interpretation of the Lisbon Declaration.

Relations with Israel will be established "when that will contribute to the movement toward peace in the Middle East."

The communique indicates that the political and economic results of Spain's aid to Equatorial Guinea, totaling more than 3 billion pesetas, "have not been satisfactory." The government believes that the standards for use of

the assistance should be changed and also that the proper use of the aid should be guaranteed. The incident involving Sergeant Miko is seen as a delicate situation which has served to mark certain limits beyond which the Guinean leaders know they cannot reach and also continue to count of Spanish aid.

One of the chapters which arouses criticism from the opposition is the one on relations with Iberian America. The communique says that in recent months the Spanish presence and influence in that area have been strengthened, and it points out the efforts made in order to establish "good relations," although it explains the disagreement on human rights which have led the government to bring problems to the attention of the regimes in Argentina, Cuba, Uruguay and Chile.

The government supports a regional and not a global solution as proposed by the Contadora group of nations in respect to the conflict in Central America; the communique notes that the origin of the conflict lies in unjust social and economic structures. Lastly, after affirming that the extradition of Jimenez Morales of ETA has been requested, the government states bluntly that if any friendly nations were to engage in relations with ETA, this would be considered especially serious and Spain would adopt appropriate measures.

11,989

CSO: 3548/64

PUJOL-GONZALEZ MEETING SEEN CONDUCTIVE TO NEW DIALOGUE

New Way of Understanding

Barcelona AVUI in Catalan 11 Oct 83 pp 1

[Text] A long, solid meeting, which lasted over 4 hours, was useful for Felipe Gonzalez and Jordi Pujol to open a door to new ways of understanding between the central government and the autonomous government, which had got bogged down at several points since the long process of the LOAPA [Organic Harmonization Law of Autonomous Process]. Jordi Pujol, on leaving the talk, showed his optimism and expressed the hope that the good will of Felipe Gonzalez and the spirit of dialogue and understanding which ruled the meeting would serve to consolidate the state of the autonomies.

"This does not mean," stated Jordi Pujol, "that all problems have been solved as if by magic. Now it remains for these great political features on which we have reached a general agreement to turn into concrete facts, and this will take time."

The four big issues that shaped the order of the day were: the autonomy policy in general, on which there was a good understanding regarding basic laws and organic laws, which will not ever be able to affect Catalan autonomy limits; the transfers, an issue in which there is willingness on the part of the government to finalize the process of transferences on 31 December, but in which there are discrepancies on assumptions with the Agrarian Chambers, the Institute of Occupation and Water Works, while the issues of university and research and those of justice appear easier; the evaluations, an issue in which it seems that one will be able to refloat the process again soon, whenever--according to Pujol--the executive completes the agreement of February 1982, in order to be able to solve the problems of the 1983 and 1984 budgets. The fourth issue was that of the third television channel, the most controversial point of which continues to be that of the broadcast network.

What becomes clear is that Madrid and Barcelona have broken the ice on some negotiations that were getting bogged down often in "depressed armchair" talks. This is why this very day the Executive Council of the Generalitat will meet for the purpose of assuming the new task of negotiation and open dialogue, sharing the concrete tasks, and being able to initiate everything following this dialogue which was again opened between the government and the autonomous administration. "President Gonzalez and I have done enough," said Jordi Pujol on leaving, "now is the time to share tasks with the councilors."

Pujol, Gonzalez Begin Dialogue

Barcelona AVUI in Catalan 11 Oct 83 p 9

[Article by J. Andreu: "Possible Political Solution for the Transfer Evaluations

Madrid--This afternoon the president of the Generalitat called an extraordinary meeting of the Executive Council. "President Gonzalez and I have done enough, now is the time to share the tasks with the councilors." This is probably the best sign that the talk between the head of the Spanish executive and the head of the Catalan executive had been positive. In Pujol's words--after almost 4 and 3/4 hours of talk, "I found the prime minister showed a decided willingness for dialogue and a very understanding spirit. We, too, wish to bring positions together and help to consolidate the state of the autonomies."

This does not mean, at any rate, that the problems have been solved as if by magic. "This general agreement about the broad political features," still in Pujol's words, "we will have to see if they are turned into concrete facts and this will bring us time. Today, however, there have been more issues of agreement than disagreement to tell."

The 4 hours were short: "I was still 20 minutes short," said Pujol, but it is certain that the time of the post-LOAPA--"we did not speak even once of the law,"--has begun.

The order of the day, which the presidents had established beforehand, included four big points, which were thoroughly examined, to the extreme that Prime Minister Gonzalez phoned several ministers and called the secretary of finance, Victor Sevilla, to Moncloa, where he stayed for an hour.

The first big issue--90 minutes of talk--was the autonomy policy in general. Both presidents are aware that the basic laws, the organic laws cannot affect the Catalan competence ceiling. The solution for these issues is dialogue, as occurred with the university reform law and may be repeated again with the LODE. The Generalitat looks after the defense of the legislative capacity of the Parliament and asks, in accordance with what the sentence on the LOAPA provides, that there be no attempt to make any autonomy uniform, "for to do so would stifle the self-government of the peoples of Spain." Prime Minister Gonzalez, as Pujol explained, is in agreement with this plan, but time will show if he truly goes along or not, when, for instance, issues like high inspection are ruled on.

The second big issue was transfers and evaluations. On the first, there exists the political willingness to finalize the process next 31 December. Points which the government of Madrid does not see clearly: Agrarian Chambers--yesterday the Union of Peasants criticized the socialist policy on this count--and INEM [Institute of Occupation and Water Works]. Minister de la Quadra, in some statements made Sunday in Barcelona, said that the INEM cannot be transferred, for it is a full and complete instrument in the struggle against ATUR and this is also true of the Agrarian Chambers, for

text of the Statute does not say so. "We shall have to see," said President Pujol, "what is the right thing, either Minister de la Quadra's statement or Prime Minister Gonzalez's. But the statements of Minister de la Quadra are scary and terrifying." The transfers of universities and research and other transfers of justice, however, look easier.

On this point, President Pujol stated that quite soon steps will be taken to refloat the issue. "We are aware," said the head of the Generalitat, "of the financial problems of the central government, in the same way that we agree to rectify some aspects ourselves. Now then, the executive has to keep the agreement of February 1982, because otherwise we cannot settle or complete the 1984 budget and the 1983 budget would present some problems."

Pujol and Gonzalez spoke with pencil in hand and in the company of Secretary of State Sevilla. The current difference amounts to 21 billion. The same thing appears to be true as regards the third big point, Social Security payments, which have been delayed since 1981.

There will not be time to speak of the Telephonic. They will do so by letter. But there will be time to speak of the new presence of the Generalitat in sectoral meetings. "If we wish to cooperate, we cannot make a depressed armchair policy," reasoned Pujol. Although the newspapermen from Madrid asked for elections "We have not spoken of them. The institutions are above parties and today I have come with the president of the Generalitat." About the project of reform of the statute, he declared: "It is clear that CIU has already granted its support to the proposal of the Left in the same way that we will vote seizure in consideration of the law proposed by the PSUC. Now then, the most important thing is to go deeper and find out if we will really and truly have autonomy or not."

AVUI Comment

Barcelona AVUI in Catalan 11 Oct 83 p 10

[Editorial: "A Gateway of Hope"]

The sentence of the Constitution Court on the LOAPA created a new legal milestone and opened a new political way, that made it fitting for the government of the country and the governments of the autonomous communities --especially those of the ones that went against the harmonization law--to speak again of the definitive building and articulation of the aforementioned statute of autonomy.

This new period, the post-LOAPA period, was begun yesterday in Madrid by President Pujol and Prime Minister Gonzalez. And with the proof of the importance of this new stage, it needs to be pointed out that the talk was of the greatest length. Anecdotal details aside, we have to say that the climate of dialogue and understanding between the central power and the autonomous power seems to be reestablished, at least insofar as their highest leaders are concerned. There exists the political willingness to make the sentence of the LOAPA respected and allow that, within the equality involving the fact that each of the autonomous regions will be so, each may be able to choose the limit of competencies most suitable to their yearnings for self-government. That goes too for the political will of the two executives, a willingness that opens a new stage of hope in the consolidation of democracy and autonomy for Spain.

The second part of the issue is more complex. For if political agreement was possible, this will now need to become a practical reality. And here is where problems begin. Our practice of autonomy has shown that, sometimes, the problem was not the prime minister, but high government officials who, from their ivory tower in the ministry, strove to slow down or put the brakes on the process. And what is much worse, they sometimes succeeded in doing so. Now we have to add to this a new worrisome element. Twenty-four hours before the talk between the two executives, Minister Tomas de la Quadra made some statements in Barcelona with a clearly regressive intent which, including what he said regarding the agrarian chambers, have been denounced by the Union of Peasants.

Therefore it is no wonder that President Pujol's optimism is only moderate. He does not doubt the willingness of Prime Minister Gonzalez; this is why yesterday he gathered the Executive Council to thread the needle and initiate the contacts needed to concretize the executive agreements. It will be necessary to let time go by and only then will we be able to see if willingness and practice become a reality.

And while the time for the result approaches, it will be good to congratulate oneself for this new way of understanding. An understanding and a dialogue that is not the fruit of only one side, but of the willingness of Prime Minister Gonzalez to help the settling and establishment of autonomy and of the willingness of President Pujol to help the consolidation of the state.

12448

CSO: 3548/49

GOVERNMENT EFFORTS TO PROMOTE 'FAMILY PLANNING'

Madrid EL ALCAZAR in Spanish 13 Oct 83 p 8

[Text] The state will spend 6,881,000,000 pesetas on the operation of "family planning" centers managed by the INSALUD according to a plan that the government has concluded. Just for 1983, by an order passed on to the Social Security, 500 million pesetas are being transferred in the creation of new centers "in abandoned areas" for which the quoted amount comes from the taxpayers and not from the subscribers to the SS.

According to the plan to which EFE has had access, the annual projected estimated cost in contraceptive material is probably 5.6 billion, 743 million of which will go for care or attendance at the now existing centers with which a series of agreements will be made, and 500 million for the creation of new teams. "Family planning" teams will act in the national health clinics or in the aforementioned centers, most of which are municipal, that make agreements with the INSALUD. As for the service in the centers, access will be provided to all kinds of contraceptive methods and the teams will act in an informative capacity as well as to attract risk groups. In this sense, the program of establishment of centers will be applied taking into account the areas with the greatest number of women.

At the present time, a good part of the costs of family planning are the responsibility of Social Security, but the introduction of family planning management by the government seeks to cover a greater number of women. According to the sources consulted, the total extent of the family planning program will take place with the modification of the Social Security law, including in the chapter on health care, together with sickness, maternity and accident care, and contraception.

In order to get started, the plan, which has now been reported to the Institute of Woman, has only a few minor hurdles to overcome. These are more of a political than of an economic nature, but the plan could begin to be put into operation now if the INSALUD gives the family planning centers prosthetic material, since the latter is supplied separately from pills.

NORWAY SEEN TO HAVE BETTER ANTI-SUB DEFENSE THAN SWEDEN

Stockholm 7 DAGAR in Swedish 28 Oct 83 pp 11-12

[Article by Claes Lofgren]

[Text] SUNDSVALL MANADSSKRIFTET, April/May: The Navy is chasing several foreign submarines. The main units in the chase are some large frigates and a smaller corvette. The vessel is large enough to carry missiles and goal-seeking torpedoes that are relatively accurate.

The crews are in general independent of time and weather -- the chasers are constantly relieved by rested colleagues, and the units can tolerate most kinds of weather. Upon contact with suspected submarines, no depth charges are released -- their accuracy is much too low. Instead, missiles are used.

This is how the submarine chase would have looked near Sundsvall if Sweden had had the same weapons systems as the Norwegian navy. As a matter of fact, there is today no Swedish man-of-war equipped to chase submarines. The different weapons systems between Norway and Sweden can to some extent be explained by the difference in the way foreign submarines appear in Norwegian and Swedish waters respectively.

But first to the similarities. Parallel with the sub chase at Sundsvall, there was one in the fjords south of Bergen. The Norwegians can confirm just as the Swedes do that the interest for waters within national boundaries is great. The military delegation that analyzed the chase in Sunnhordland last spring did not, like the Swedish parliamentary commission, point to any special country.

But the undersecretary in the Norwegian defense department, Oddmund Hammerstad, said quite generally that the intrusions are an expression of "master race mentality." Furthermore he rejected categorically all suspicions that the subs came from a NATO country -- in the debate here it was said that NATO possibly wanted to test its ally's preparedness.

If Sweden and Norway are now being exposed to the same gunboat mentality, the differences are even more interesting. From 1969 up to May of this year, the Norwegian navy has recorded 85 "possible" submarines. During the same period, 12 "probable" and three "certain" submarines were recorded. A total of 100 submarine observations of varying quality. The corresponding number for Sweden

is 122.

But in contrast to Sweden, there is no proof that the intrusions have increased drastically in recent years. In Sweden, more than half of the intrusions have occurred within the past two years -- in Norway they are relatively evenly divided over the past 14 years. Nor is there any proof that the subs in Norway have begun to act more provocatively, or that mini subs are being used.

Decisive for how provocative a foreign submarine acts are the effectiveness of the weapons systems and the will to use them. Since today Sweden lacks vessels to chase subs, the Navy is forced to improvise. Sixteen patrol boats at 140 tons each have been equipped with fishing boat hydrophones and depth charges. But their staying power is limited, and their ability diminishes greatly in bad weather.

Neither do the Coast Artillery's 16 guard vessels used for submarine reconnaissance have the duty of chasing subs. Besides this, they are even more affected by the weather than the patrol boats. However, seven of the Navy's ten Vertol helicopters are equipped for submarine chasing missions.

But the intrusions in Sweden have been such that the Navy will receive in a few years six mine chasing vessels equipped with, among other things, high frequency hydrophones. Two 350 ton coast corvettes are under construction. They will have drag hydrophones, depth charges, and the contact weapon, Elza. It is possible that another four will be built.

In Norway, there are five frigates of 1,760 tons. They are equipped with the Tarnan antisubmarine missile, goal-seeking torpedoes, and hull-mounted sonar for listening. There are also two corvettes of 730 tons with similar submarine chasing equipment as the frigates.

But Norway does not have helicopters for chasing subs. Instead, ten aircraft are used. The propellor driven Orion planes are equipped with detecting equipment and with depth charges, torpedoes, and missiles.

Since the Norwegians have large sub chasing vessels, they also have more room for larger and more effective weapons. An example is the Tarnan missile. It is considered to have a 50 percent hit accuracy, compared to 4-5 percent hit accuracy for depth charges. During the submarine chase in Sunnhordland, 24 missiles were fired.

If the missile misses the sub, it explodes at less distance from its goal. Antisubmarine torpedoes have an even greater hit accuracy -- about 80 percent. They seek the target by detecting sounds -- propellor sounds, charging of batteries, or submarine doors opening. The problem with Tarnan and the missiles is to avoid a direct hit -- a direct hit sinks the submarine, and one wants to avoid this during peace time.

As late as 29 April of this year, the Willoch government published new guidelines for sub chasing. They say that as a last resort all available weapons may be

used. The responsibility for a possible sinking and possible deaths lies completely upon the offending nation.

But in spite of this, no torpedoes are used. One reason is among other things that torpedoes may hit one's own units -- during a submarine chase, many units are concentrated in a limited area. Another, more considered guess is that the chased submarine saw the danger and went home.

The fact that the intrusions did not increase as dramatically in Norway as in Sweden is partially because of Norway's membership in NATO. As a NATO member, Norway's role in the great power game is clearly defined -- the USA is a friend and the Soviet is a potential enemy. The Soviets have therefore obvious interests in getting the best possible information about the Norwegian coast even in peace time. And since Norway has been a member of NATO since 1949, one can assume that the intelligence activities have gone on during the recent decades.

Increased Intrusions

Another important partial explanation for the increase in intrusions of Swedish waters is that Sweden is a Baltic Sea state. The Soviet fear of being bottled up in the Baltic Sea does not pay attention to such subtle matters as freedom from alliance. The fact that the fear is increasing is based on the power block's armament in northern Europe. Airfields and antiaircraft in Sweden can be used both for and against the Soviets. And Soviet confidence in our neutrality seems to have diminished along with the sharpening of the world situation.

But seen in a larger strategic connection, the similarities between Sweden and Norway are still greater than the differences. From a global perspective, Sweden and Norway are a geopolitical unity. This is shown to a great extent by the official Norwegian security policy. It is analysed in a document from the Norwegian foreign office -- "Security and Disarmament" (from November 1982). There it is stated, among other things, that 60 percent of strategic Soviet submarines are located at the Kola peninsula. NATO's plans to defend the North Atlantic -- and the connections between North America and Europe -- make Norway vulnerable.

"The military strategic significance of Norway's territory comes therefore from the country's geographical position and not from whether Norway belongs to an alliance or is independent of alliances."

The position is logical -- it is important to defend Norway's membership in NATO to the surrounding world. The Socialist Left Party, among others, has of course claimed that on the contrary, NATO membership increases the risk of war for Norway. But if Norway's official position also corresponds to reality, what consequences does this have for Sweden? Is it, from a global military strategic perspective, completely meaningless whether Sweden is neutral or not?

VALMET, SISU COMPETE FOR ARMORED PERSONNEL CARRIER SALE

Helsinki UUSI SUOMI in Finnish 11 Oct 83 p 9

[Text] The manufacture of one armored personnel carrier provides 3 man-years of employment.

This is the estimate of the domestic state enterprises competing for orders, Sisu and Valmet, from which the Armed Forces have ordered prototypes for a new armored vehicle.

Orders would also provide employment for many subcontractors aside from these state enterprises.

As far as vehicular equipment is concerned, the Armed Forces' level of domestic procurement ranks high, as things are now. Valmet has supplied tractors for Army use and Sisu is manufacturing both ordinary and cross-country trucks for the Armed Forces. Sisu's latest order from the Armed Forces, which is to be distributed over a period of 5 years, is for about 400 civilian-type fast vehicles with this year's contingent comprising about 20 vehicles.

The item of greatest interest in recent years has, however, been an armored personnel carrier, regarding which both Valmet and Sisu have supplied the Armed Forces with their prototypes.

Millions of markkas have gone into the development of these prototypes and the plants are now waiting for an Armed Forces decision. Which of the two firms will get the order? Will it be divided between these two competitors or will either one get it?

The Armed Forces probably need 400 or 500 armored personnel carriers and, since the price of one vehicle is about 1 or 2 million, hundreds of millions are involved.

Labor-Intensive Product

Aside from money, employment is also an issue as far as armored vehicles are concerned. "The importance of one personnel carrier in terms of employment is at least twice that of one heavy truck," Sisu development director Seppo Kokkola said.

"This kind of armored vehicle is a labor-intensive product and 87 percent of its production is domestic," Kokkola described the importance of the vehicle for employment.

Both Sisu and Valmet have made calculations concerning the profitability of armored vehicles on the basis of domestic sales, that is, Armed Forces procurement orders.

Director Rauno Bergius of Valmet said straight out that they cannot bring themselves to place any faith in personnel carrier exports. In his opinion, the industrialized countries are too protectionist and the developing countries do not have the means for procuring such vehicles.

Employment During Slow Period of First Half of the Year

Bergius estimates that an order for all of the armored vehicles would absorb from about 10 to 20 percent of the production capacity of Valmet's tractor plant if the order is distributed over several years, as has been the custom.

As for Kokkola, he stressed the fact that orders from the government — and this includes the Armed Forces — are of greater importance to Sisu than what the percentage of its capacity they would represent might be assumed to be:

"These procurements will have a big effect on our employment because the orders can be scheduled for times when business is otherwise slow," he maintained.

That slower period is the first half of the year, since firms deliver "their year-end balance cars" during the second half of the year and the first half of the year seems to be a very slow period in comparison with December when sales are twice as big as normal.

Armored Car Is Impossible

The manufacture of personnel carriers, which has now reached the prototype level, has been made possible through dependence on parts used in Sisu trucks and Valmet tractors.

According to Sisu's development director, however, they could not even think of manufacturing armored cars, for example — the costs would increase to too high a level.

The Armed Forces will at any rate reach a decision on the procurement of armored personnel carriers before the year is out. Procurement authorizations for the project have been granted for 1984-1986.

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GENERAL REVEALS PLANS TO INCREASE DOMESTIC PROCUREMENT

Helsinki UUSI SUOMI in Finnish 11 Oct 83 p 9

[Article: "Armed Forces in the Face of New Procurements: 'Employment Speaks in Favor of Procurements from Finland'"]

[Text] The Armed Forces are trying to increase the volume of domestically supplied procurements and domestic manufacturers are busily supplying armored personnel carriers among other items.

This is what Lt Gen Pentti Vayrynen of the General Staff maintains.

The only problem is the small size of the domestic market, which makes product development and production of many kinds of equipment unprofitable.

When tens and hundreds of millions of markkas are involved, it is obvious that the Armed Forces constitute an important employer with their procurements. This is plainly stated in the text of the budget too, in which 184 million markkas worth of procurements are authorized to improve the operating conditions of the troops and individual soldiers and to ensure domestic employment in the industry.

Sweden and the United States Also Under Consideration

Most of this equipment for the troops is procured in Finland. However, field radios and other communications and transmission devices, for which authorization for procurements amounting to 289 million has been proposed in the budget, will be procured from Sweden for field telephones and from the United States for field radios.

Lt Gen Pentti Vayrynen, who is responsible for these military equipment procurements, was unwilling to predict where communications devices would be procured from during the next few years, maintaining only that domestic firms would also be requested to submit bids.

"We are not yet today capable of saying what communications devices we will be able to acquire with the funds proposed for them in the budget," Vayrynen said.

Soviet Union Is the Biggest Foreign Producer

According to the now prevailing understanding of the situation, for strategic reasons — to protect their independence — the Armed Forces procure a third of their equipment from the Warsaw Pact countries, a third from the West and a third from domestic firms.

At the present time the biggest foreign equipment producer is the Soviet Union and the next two largest are Sweden, from which the Navy obtains naval defense missiles for its new Helsinki-class combat boats and the Air Force its Drakens, and England because of the ongoing Hawk project.

The Armed Forces would, however, be prepared to increase their procurements from domestic firms. The only problem is the high cost of products due to small production runs. Domestic markets are small and, aside from the limitations involved, exports are also problematic because those countries belonging to military alliances try to buy equipment from their allies if their own industries are incapable of producing such equipment.

"In our procurements we have tried to increase the proportion of domestically produced items, while at the same time trying to have foreign products assembled here in Finland as well," Lieutenant General Vayrynen said.

"The proportion of domestic manufactures is not so high as for there not to be room for increasing it. However, no negotiations of a general nature with regard to increasing the volume of domestic procurements have been entered into, negotiations instead always concerning projects," he added.

Procuring equipment domestically is advantageous for the Armed Forces because of maintenance arrangements among other things — especially when we think of crisis situations.

"To be sure, there are a certain number of foreign components in domestic products too and we have to see to it that we always have a supply of them in reserve," Vayrynen remarked.

Domestic Supply Influences Decisions

While costs play an important role in Armed Forces procurements too, in some cases domestic supply decisively influences procurement decisions.

"Funds are indeed returned to the public sector in the case of every domestic procurement. Only funds are not returned for use by the Armed Forces, so the Armed Forces naturally have to think first of all of procurement costs," Vayrynen asserted.

Vayrynen denied that money could be obtained more readily for domestic than for foreign procurements.

"We just discuss the biggest foreign procurements more," he added.

PAPER VIEWS NEW ARMED FORCES COMMANDER VALTANEN

Helsinki HELSINGIN SANOMAT in Finnish 22 Oct 83 p 2

[Editorial: "Commander Rouses People to Defense"]

[Text] The new Armed Forces commander, Gen Jaakko Valtanen, has assumed his duties frankly. When appearing before the mass communications media he has undisguisedly raised the shortcomings of our Armed Forces. These are not in themselves new and unfamiliar, but the message does not lie in them at all, rather in the fact that they have not been completely corrected.

The general specified the shortage of personnel as the biggest shortcoming. Since at the present rate this shortage will increase to 5,000 persons as early as in the near future, it may turn into — if nothing is done to improve the situation — an internal time bomb for the Army, as Valtanen put it.

This description is not overshooting the mark. The total figure includes only over a fifth of the military personnel, primarily officers and administrative officers. As surprising as it may be, most personnel are civilians. At the present time they are employed, for example, in administrative posts, repair shops, as quartermaster administrators, etc.

Most of these civilians have been culled from unemployment files. It may take as much as months to train them for their Armed Forces jobs. But once they have learned to do their jobs, many of them are soon returned to the files because the job may only last for a year at a time, since there are no guarantees for extending it. The blame for this lies chiefly with the labor legislation bureaucracy, a situation that must be quickly corrected.

Youths performing a civilian service constitute an entirely different matter. The general views them as a rightfully — with a discreet choice of words — privileged group and feels that there are flaws in the laws, flaws that have been noted before as well. Actual practice has indeed gotten too much out of hand on the basis of the law which releases youths from compulsory military service in peacetime.

But this small group has nothing to do with the Armed Forces' shortage of personnel. That, on the other hand, can be quite well corrected with salaried civilian employees, protected by more effective employment appropriations than

now, who would be of use to the Armed Forces. They could, for example, be employed as drivers, in the kitchen, in garrison maintenance and service, as couriers, messengers, etc. Enlisted men now take care of these jobs. Two significant benefits would be derived from freeing them from such duties: Military training can be intensified and jobs are thus made available to others. Freeing enlisted men from the guarding of warehouses and supply rooms and replacing them with recruits are aimed at the same thing and in addition at increasing security.

The need for intensifying training also, of course, includes the need for obtaining more trained officers and noncoms. There is now a sizable shortage of these too. Eliminating it will take time, but we should be better prepared to do so than we are now.

As things look now, there is not too much hope of quickly reducing the shortage of officers and other personnel. The budget proposal for next year contains only less than a fourth of the annual increase recommended by the Third Parliamentary Defense Committee. It does not even eliminate the acute supplementary need.

The focus of Finland's neutrality-based security policy is, of course, on foreign policy. But the other side of our security policy, our defense policy, too can only be credible if people are wise enough to be concerned with maintaining sufficiently strong and up-to-date armed forces. Then they will also be capable of assuming responsibility for the obligations imposed on us by our laws and international agreements in this unsettled world.

Improvement of the Armed Forces, above all qualitatively, is indeed a challenge. The new weapons technology alone requires intensification of the training of enlisted men, flexible extension of the training period of officers and those occupying technical jobs and procurement of new training equipment. Hopefully the new commander's well thought-out speeches will arouse political decision-makers and to some extent contribute to the improvement of our defense readiness.

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NEW FORCES CHIEF VALTANEN: PERSONNEL SHORTAGE IS 'TIME BOMB'

Helsinki HELSINGIN SANOMAT in Finnish 21 Oct 83 p 11

[Text] At a press conference organized on Thursday the new Armed Forces commander, Gen Jaakko Valtanen, referred to the shortage of personnel as the Armed Forces' biggest shortcoming. He called it the Army's internal time bomb.

According to Valtanen, the Armed Forces personnel shortage now amounts to a total of 5,000 people. The Army would like to have 1,000 more officers and administrative officers.

"We are no longer getting the work load we require from Armed Forces personnel. On the basis of the new working hour regulations, some do not work, the overtime load of some has already been excessive and a number of military unit cadres have been continuously on UN missions. We also need personnel with more extensive training than before," Valtanen explained the nature of the time bomb.

According to Valtanen, the Armed Forces should not, for example, need to train as many drivers as they now do because the society is full of drivers but, since there is a lack of civilian drivers, enlisted men have to be trained to do the job.

The Armed Forces would be capable of immediately hiring about 1,000 civilians for different military tasks. Valtanen said that jobs and supervisory positions are there ready and waiting for them and not much more would be spent on their wages than on unemployment compensation.

He noted that the Army's whole 5,000-man shortage could, nevertheless, be made up in a short time.

Valtanen said that he could understand why military unit commanders are a bit clammy when young lieutenants leave for UN missions and no one comes to replace them. The Armed Forces, nevertheless, react favorably to UN missions. According to Valtanen, Finland's participation in UN troop operations has more positive effects than momentary negative effects.

Half of Appropriations for Vehicles

According to Valtanen, Army equipment procurements are now the focal point in the improvement of the ground forces since the Air Force and Navy were equipped in the 1970's. Vehicle procurements for the ground forces constitute the Armed Forces' biggest, most important and in the near future most expensive project. About 20 years ago the Army switched from horses to tractors. Now we are switching from tractors to autos and armored personnel carriers.

According to Valtanen, very soon half of all procurement appropriations will be going into vehicles and yet the entire Army will not be motorized. The Armed Forces are acquiring thousands of trucks, half-tracks and light armored carriers. These can be procured domestically.

Among other things, the question as to whether the Army is to order armored cross-country vehicles from Sisu or Valmet will be resolved in the near future. Each of them has developed its own models.

Valtanen reminded us that the Third Defense Committee has formulated equipment procurement plans for the Armed Forces for the next 15 years. The detailed 5-year program extends until 1986.

Valtanen was of the opinion that there is probably also a need for constituting a fourth defense committee, an issue that has been openly discussed. Valtanen could not yet say what the committee would do.

Capability Credible

The new commander said that, in connection with visits by foreign military leaders, he had noticed that Finland's defense capability is surprisingly judged to be better than preconceptions would lead us to believe. According to Valtanen, Finland's defense capability is felt to be "quite satisfactory." At a question-and-answer session organized for the news media the new commander was also pressed to take stands on the peace movements and civilian servicemen.

"No rational person can react to a peace movement that opposes nuclear weapons and the superpowers' spiraling arms race other than positively," Valtanen said. "However, I react negatively to demands for the unilateral disarmament of Finland."

Valtanen said that he reacted favorably, but with caution, to Archbishop John Vikstrom's recent proposal that civilian servicemen handle civil defense assignments.

"Privileges"

According to Valtanen, the laws governing civilian service are at present deficient. The system is neither just nor equitable. Civilian servicemen have come to form a privileged group which fulfills its civic obligations at less cost to itself than others do.

"The civilian service law is in need of quick revision," Valtanen said.

The commander said that he had no particular program of his own to improve enlisted men's status. He said that he supported the view that enlisted men be guaranteed the same protection of the law, social security and opportunity to engage in normal human relations that other citizens enjoy.

Valtanen said that he feels that it is his duty to handle Armed Forces relations with the society in such a way that the Armed Forces are felt to be an organic part of our democratic society. "There is no principled or fundamental difference of opinion in our society over the status of the Armed Forces," the general said.

Valtanen assumed his duties as Armed Forces commander a week ago, on 12 October.

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AIR FORCE TO BUY DRAKENS FROM SWEDEN

Helsinki UUSI SUOMI in Finnish 30 Sep 83 p 7

[Article by Jukka Knuuti]

[Text] Finland is going to get 18 "new" used Drakens at half price. This is what the Swedish newspaper, DAGENS NYHETER, writes drawing on reliable sources.

According to the newspaper's reports, the planes have been flown so little that the price would normally be twice the 195 million they intend to pay for them.

According to next year's budget, they plan to procure a half squadron of planes, which would mean from 10 to 15 planes. However, 18 would be more appropriate since, in addition to the half squadron that is to go to Pirkkala, replenishments are needed for the Lapland Flight Detachment's six older J35B Drakens in Rovaniemi which are beginning to be ready for phasing out.

In Flying Shape in Tampere in 1985

The deal concluded with Sweden includes the necessary spare parts and basic repair in addition to the planes. A few rather small changes are to be made in Finland so that the aircraft will conform to the Finnish Air Force transmission system.

They plan to transfer the Satakunta Flight Detachment's 21st Fighter Squadron to Pirkkala Airfield in Tampere in 1985, when they will also receive their Drakens. So far only the flight detachment staff has been stationed in Tampere. They believe that they will be able to fly the Drakens until at least the mid-1990's.

According to Air Force information chief Maj Lars-Olof Fredriksson, at first the Pirkkala Draken squadron will be collaborating with the Lapland Flight Detachment located in Rovaniemi on training and maintenance concerns.

Lacked Fighters

The Satakunta Flight Detachment has so far entirely lacked fighter planes. The detachment has in part used Hawk trainer-fighters for reconnaissance

flights. But that model is not fast enough, which is why in Pirkkala, Turku and even Helsinki they have had to almost continuously use Karjala Flight Detachment Mig-21 bis from Kuopio or Rovaniemi's Drakens on regular duty missions.

Still Less Than 60 Combat Planes

The Air Force assures us that even after the new procurements the number of combat planes will be less than the 60 set by the Paris peace treaty. Exact figures were not announced, but it is known that it has six older Draken J34B's. Twelve J35S's were assembled in Finland. After that six J35F's and three J35C two-seater trainers were bought. The new Drakens are J35T's. In addition to the Drakens, the Mig-21 bis located in Kuopio, numbering as far as is known slightly over 20, are Air Force combat planes.

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NEW 'UPSTREAM STUDIES' FOCUS OF DEFENSE RESEARCH EFFORT

Paris DEFENSE NATIONALE in French Oct 83 pp 121-135

[Article by Armament Engineer General Serge Bindel: "Defense Research--
1. Upstream Research"]

[Text] The present article is the first in a series that we hope will be quite a long one and that we announced in our report on the national "Science and Defense" days of 26-27 April last. After a short introduction on research in the defense area, Armament Engineer General Bindel, of the Directorate of Research and Technical Studies (DRET), draws a general picture of research and development within the armed forces; the first part is devoted to upstream research.

There is probably no industry more advanced than the armaments industry. Those nations, such as France, that have the will to take their own destiny in hand are, in effect, led by vital necessity to provide themselves with the most modern materiel capable of countering any enemy threat. This means that research and development, the key to all technological innovation, hold a privileged position among the priorities of the Ministry of Defense, and more particularly, of the General Delegation for Armament (DGA)--privileged first of all in terms of the financial effort devoted to it (more than 30 percent of the cost of the armaments supplied to our forces), but also the way in which research is managed, its main directions set and its programs carried out.

Defense research obviously gives priority to military purposes, but its place in the national effort (35 percent of the budget effort, and more than 20 percent of the total effort) is such that it necessarily has close links with civilian research: while it benefits from the achievements of general basic research, the results that it leads to have fallout that is very important in the civilian economy.

The Ministry of Defense also maintains relations on the research level with its counterparts in the allied countries, in either bilateral or multilateral form. Such links, which are fruitful on the strictly scientific level, make it possible to prepare the necessary cooperation under the best possible

conditions; this cooperation is then established, in many cases, in the development and manufacturing stages.

Research within the Ministry of Defense, and defense research within the national effort and in an international framework: these are the three major components of our subject. We shall start by examining how upstream research is done in the Ministry of Defense, and in a subsequent article we shall deal with the defense effort in its research-and-development aspect and the place of defense research in the national effort. We shall leave to another writer the task of presenting the international aspects of defense research.

The Concept of Upstream Studies

In the Ministry of Defense, the concept of "research and development" (or "research-development-testing") has, generally speaking, the same meaning as elsewhere: it covers all the operations, which run from basic research to the perfecting of prototypes, including operational testing. But it should be stressed that, as in certain civilian areas--aeronautics or nuclear energy, for example--the starting of development of an item of materiel always means a decision heavy with consequences on the financial, industrial and operational levels. It is therefore necessary to gather together sufficiently in advance all the elements that will make it possible, when the time comes, to reach the decision on the basis of thorough knowledge, and furthermore, to make sure that the preparation for the future, which requires a continual effort, no matter what the economic situation, is never sacrificed to more immediate objectives. That is the reason why a clear distinction is made, within research and development, between development as such--still called "development decided on," so as to show clearly the importance attached to the startup of it--and the research and study operations upstream from the development, which in shorter form are called the "upstream studies."

Within the framework of upstream studies, it has been found useful to distinguish the work that makes it possible to pin down the operational application of a new technical concept by means of a limited yet demonstrative operational embodiment of it. Such "operational development"--the last stage before development of an item of materiel is launched--are indeed especially important turning-point operations.

Farther upstream, research proper--often called "research-study"--is still strongly oriented by the needs of the general staffs, but it also comprises a considerable proportion of exploratory work, which, coming at a more basic level, does not yet have a very precise military end-purpose, as well as actions whose military purpose is indirect (for example, those aimed at improving the industrial instrument of the General Delegation for Armament--the DGA).

In its totality, then, research and development has a three-stage structure:

--research as such, basic or applied, constitutes the substructure; as a multiform group of different operations covering nearly the entire field of sciences and techniques, it is the subject of the "Multiyear Research and Studies Program" (PPRE);

--from this research emerge subsets, more limited in number, that form the "Multiyear Program of Exploratory Development" (PPDE);

--this exploratory development gives rise in turn to the development programs, each of which is the subject of a particular decision.

Organization of Nonnuclear Upstream Studies

Many Partners, with Diverse Responsibilities

Confidentiality is generally taken to be the most specific trait of defense research; but without wishing to minimize this aspect of matters, it should indeed be noted that many sectors of industrial research yield nothing to military research from that point of view. On the other hand, the defense sector is clearly distinguished from all the others by its intensive degree of integration: those responsible for the designing and production of materiel and those responsible for its use are, indeed, grouped under the same authority, the Ministry of Defense. This exceptional situation thus makes it possible to conceive an original structure for management of defense research, with the planning, programming and execution of the work constituting in this field, even more than elsewhere, the object of close collaboration among all the partners.

The general staffs, as the ultimate customers for this research, express needs; but their role is not limited to that: the three armed-forces general staffs are indeed the controllers of budget-section credits,¹ which means that they hold financial means for orienting the choices.

As regards the Common Section, control of the research-and-development credits is exercised by the DGA--more particularly, by the Directorate of Industrial Programs and Affairs (DAPI), which also plays a decisive role at the time when, with examination of the projects completed from the technical point of view, the list of exploratory developments that will effectively be financed is to be established.

Among the suppliers of research are the directorates--Directorate of Research and Technical Studies (DRET); Central Service for Telecommunications and Data-Processing (SCTI)--the public establishments under the oversight of the DRET, as well as the Central Directorate of the Armed-Forces Medical Corps (DCSSA) and the Hydrographic and Oceanographic Service of the Navy (SHOM), which form an integral part of the system.

The DRET, whose missions and functioning are described in greater detail below, provides overall coordination of the programming of the upstream studies and carries out its own sizable research program.

1. It will be recalled that the budget of the Ministry of Defense, not including the Gendarmerie, is divided into four sections: Army, Navy, Air Force and Common Section. Within the Common Section, an additional distinction is made between the operations related to, on the one hand, the Strategic Nuclear Force (FNS) and Tactical Nuclear Armament (ANT), and on the other, the operations not coming under the FNS-ANT.

Coming directly under the minister, the Planning and Strategic Studies Group (GROUPES), which in 1982 took over from the Forward-Studies and Evaluations Center (itself created in 1964), is a permanent advisory organism for study of the long-term future in the defense field; in particular, it is responsible for preparing the "ministerial directive for orientation of research" (DMO), and it also plays a major role in definition of methodology in the area of upstream studies.

On the other hand, a scientific adviser assists the minister and the general delegate for armament in working out a long-term research policy. He chairs the Defense Science Council, created by the minister and attached to the general delegate, subsequent to the recent "Science and Defense" days.

As one sees, the programming and carrying-out of defense research involves a great many organisms that share varied responsibilities in the areas of methodology, definition of needs and orientations, finance, management. Effective activation of this complex totality depends on close collaboration among the partners, on three levels: the Permanent Interdirectorate Working Group (GTPI) provides for internal coordination within the DGA, the DCSSA and the SHOM, and the "coordination group" is the organ of liaison among the GTPI, the general staffs and GROUPES; as for overall policy in the area of upstream studies, it comes under the Defense Research and Studies Council (CRED).

This council, the creation of which dates from June 1976, brings together, under the effective chairmanship of the minister, the general delegate for armament, the four chiefs of staff, as well as various authorities involved in defense research (the secretary general for administration, the chief of general control of the armed forces, the scientific adviser, the director of GROUPES). It is he who proposes the general policy to be carried out in the matter of military research, as regards the resources, orientations and organization in particular. There is no doubt that this council, since its creation, has played a role of prime importance, especially by making all of those involved aware of the vital importance of research for preparation of the future.

The DRET, the Directorate for Upstream Studies

When it was decided, in 1961, to group within a single Ministerial Delegation for Armament (currently called the General Delegation) all of the directorates and departments responsible for the conception and fabrication of armament materiel, the objective aimed at was to get a better grasp on a number of problems common to all of the armed forces. From this angle, it was clear that research, which is the basis for all technological progress, had to be given special attention, and the Research and Test Methods Directorate (the DRME, also created in 1961) rapidly assumed an important place not only within Defense but also in the world of research in general. The Directorate of Research and Technical Studies (DRET), created in May 1977, has taken on the essential part of the missions formerly assigned to the DRME in the matter of research, with broadened assignments.

Upstream studies constitute the principle area of competence of the DRET. Activities in these studies are articulated with two main poles: on the one hand, coordination of the research, and on the other, the conduct of them, which gives them a special character, both functional and operational.

The role of the DRET as an activation and coordination structure will become clearer below. On the other hand, it is needless to list here the various means at its disposal for translating into concrete actions this horizontal mission of oversight of the upstream studies.

To this end, the DRET has at its disposal, first of all, financial means that enable it to carry on, in a contractual manner, vigorous action with the university and industrial research laboratories. The research department--the one that is chiefly responsible for the implementation of this long-term policy--has a broad field of activity: electronic components, data-processing, the infrared, lasers, navigation and guidance, electromagnetic detection, telecommunications, aerodynamics and hydrodynamics, chemistry, propulsion, electrical technology, materials, ergonomics, biophysiology, etc. All the areas gone into require top-level scientific competence--competence that is distributed among many laboratories, some of which belong to the DGA, but which for the most part are in the university sector or the industrial sector in general. It is not one of the least merits of the DRME--then of the DRET--that it has woven close bonds between Defense and the universities and that it has facilitated a rapprochement between the universities and industry.

The DRET can also draw support from several establishments that come either under its direct authority (Documentation Center for Armament--CEDOCAR; Central Technical Establishment for Armament--ETCA) or under its oversight (National Office for Aerospace Studies and Research--ONERA; Franco-German Institute of Saint-Louis--ISL).

CEDOCAR is the second-ranking French documentation center, after that of the National Center for Scientific Research (CNRS); with the data-processing facilities developed over a number of years, it is capable of meeting not only the technical-information needs of Defense but also those of the industries and laboratories that work for it.

The ETCA, created several years ago by a merger of preexisting organisms, carries on its activities in various technical areas: nuclear, biological and chemical defense, explosion technology, materials, lasers, image-processing, measurement, standardization. These areas are characterized by the fact that they involve all of the DGA's directorates; the ETCA thus receives its orders from all these directorates, but at the same time, it is the organism on which the DRET is mainly based in the mission, assigned to it in 1977, of coordinating the actions of the DGA in the technical sectors--excluding electronics--of common interest. Furthermore, defense against the effects of nuclear, biological and chemical weapons occupies a position apart among these activities: the DRET is, in effect, the pilot technical department in this area, and its action extends from research to development, and even to the supplying of the armed forces with technical materiel.

For more than 35 years, ONERA, a public establishment of an industrial and commercial character, has been working, upstream from industry but in close liaison with it, at perfecting airplanes (civilian and military), missiles, space launchers and satellites. For this purpose, it runs tests (usually less-than-life-size) in its wind tunnels and on its specialized test benches, but it is also active in sustained research, the results of which often go beyond the frontiers of the aerospace sector.

The Saint-Louis laboratory, originally intended as an appropriate working framework for German research teams salvaged at the end of the war by the French armaments-fabrication technical services, was transformed into a binational organism in 1958. Around its initial lines of research--explosions and ultrarapid phenomena in general--competencies were developed in various areas (lasers, fluid mechanics, noise and armoring in particular), making the ISL the cornerstone of Franco-German cooperation in the area of weapons technology.

Orienting and Programming of Upstream Studies

From Establishment of Resources to Forecasting of Job Positions

The aim of all programming is to strike the best possible balance between resources (human, material, financial) and needs. In certain cases, the needs are the driving force: in other words, the resources needed for meeting the needs have to be made available no matter what the cost.

Most of the time, though, the resources available or foreseeable are too limited to meet all the needs identified, and one is forced to make choices, often agonizing ones; and such would always be the case for research and development in particular. On pain of wastage, one cannot, for example, launch more development projects than there are types of materiel to be created. As for research farther upstream, though its necessity is unanimously recognized, it is difficult for it to specify precise quantitative needs; it is therefore necessary to assign it, a priori, a certain percentage of the available resources, on the principle that the money spent on it is certainly well-placed. In establishing the amount of credits, one can also be guided by considerations of competition: for example, the defense effort in the form of research and development should not be disproportionate with that of the countries whom we have chances of finding at our side as partners or against us as adversaries.

These few remarks show clearly that establishment of the amount of upstream studies is not a purely technical and totally neutral act: engaging the very future of our weapon systems, it is a political act that comes under the competence of the minister, and it is normal for the CRED to pay close attention to this question.

The CRED establishes first of all the total amount of the financial means to be assigned to the upstream studies. For this purpose, it is necessary to give this category of operations a precise and therefore indisputable definition. What was adopted in 1971 has the merit of being simple and operational:

what is considered as coming under the heading of upstream studies, in the CRED's meaning, is the operations that are written into certain studies chapters and articles specified by name, as well as the subsidizing of the ONERA studies written into an operations chapter (Title III of the budget). Therefore, the personnel and operating expenses of the directorates that are not in commercial operations (the DTCA, SCTI, DCSSA, SHOM and DRET, in part) are not accounted for within the framework of upstream studies; nor are investment credits accounted for among these studies, even if they are intended specifically for research (certain wind tunnels, for example). The definition adopted is strictly a budgetary one.

In fact, though, the CRED does not establish the amount for the upstream studies as an absolute figure but rather as a ratio between such amount and the total amount of the defense-equipment credits (Titles V and VI of the budget). This "CRED ratio," which constitutes the principal upstream-studies indicator, had decreased regularly from 1973 on; under the impulse of the CRED, it has gradually risen again since 1978, reaching the target level of 6 percent in program authorizations.

The CRED also gives directives regarding the distribution of the effort: breakdown as between research-studies and exploratory development--the latter being required roughly to remain within the limit of 20 to 25 percent of the upstream studies--and breakdown among the budget sections, and the share taken by the weapons section (currently 28 percent) is not to decrease in the coming years.

The following stage of the programming comes under the responsibility of the controllers of the credits. The general staffs and the DPAI decide on the amounts for upstream studies for the four budget sections and their distribution by budget article. This operation is an important one, since it fixes a priori the general shape of the upstream studies: indeed, it is no insignificant matter to put the credits into one technical directorate or another. Furthermore, the general staffs give the technical directorates instructions, which are more or less detailed, depending on the general staff in question, regarding the use of the credits that relate to them.

The third stage is that of the technicians and the managers of credits. It consists, for each technical directorate, in working out operations projects to be carried out within the framework of the budget allocated, or planned for within the framework of future budgets. These projects come under the competence of either the PPRE or the PPDE.

The last stage, which holds an important position in the preparation of the two programs, consists in an examination of the directorates' proposals within the framework of a close and general collaboration among the DGA, the DCSSA and the SHOM, the general staffs and GROUPES. It probably constitutes the most original phase of our programming system.

Ministerial Directive for Orientation of Research (DMO)

The planning, which consists in fixing the objectives to be achieved, comes upstream from the programming of the research as such. In the matter of

research, this important phase is all the more difficult to get control over in that the ties between research and general defense policy are very indirect.

The so-called Forward-Studies and Evaluation Center (CPE) method has precisely these aims:

- 1) to establish the relationships between the general orientations of defense policy and the areas of research envisioned;
- 2) to rank the needs resulting from this in such a way as to permit rational choices;
- 3) to identify the areas in which there are gaps to be filled in.

The CPE method can be defined as a tree-of-pertinence method, which, based on graph theory, permits a breakdown of the decision-making process into elements of homogeneous importance. For this purpose, five levels of objectives are distinguished:

- the level of the defense-policy objectives ("ensuring the national integrity," for example);
- the level of the military capacities (some 10 capacities: for example, the "capacity for security and defense of the territory and of its approaches");
- the level of the military end-purposes (some 100 of them: for example, "mobility of surface vessels");
- the level of the military means or subunits (several hundred of them: for example, "propulsive devices");
- finally, the level of the unitary research objectives, or OUR's (a thousand of them: for example, "improvement of propeller calculation").

With each level graded in relation to the immediately higher level, one can in the end, after adding up the various grades, evaluate the different unitary objectives proposed by the directorates in relation to the general objectives of defense. The grading of the upper part of the graph is the responsibility of the general staffs, and the grading of the lower part is the responsibility of the GTPI, while GROUPES synthesizes the work of the two.

Each year, the ministerial directive for orientation of research provides, on the one hand, a list of the OUR's adopted and the areas in which there is an insufficiency of OUR's, and on the other hand, several major orientations concerning defense research.

The various elements of this directive are then taken into account in the preparation of the Multiyear Program of Research and Studies.

The Multiyear Program of Research and Studies (PPRE)

The defense research and studies consist of a very large number of operations (on the order of 1,500) which, for convenience in the drawing-up of the program, are grouped in some 30 "programming themes" that constitute sufficiently

homogeneous groups, from both the scientific and technical point of view and from the point of view of end-purposes, for it to be possible to form a valid opinion with regard to them and prepare true 3-year programming.

Each theme is examined by a "programming group" of the GTPI, in whose work representatives of the general staffs and of GROUPES participate alongside the experts from the directorates and technical services. Each group, while free also to go into detail on individual operations if it so wishes, carries out a summary examination of the theme for which it is responsible, with the aim of bringing out the following elements in particular:

- the state of progress of the work;
- a comparison of our effort with that of other countries;
- strengths and weaknesses of the teams involved in the area under consideration;
- connection with the ministerial directive for orientation of research;
- balance between basic research and applied research;
- coherence between the PPRE and the PPDE.

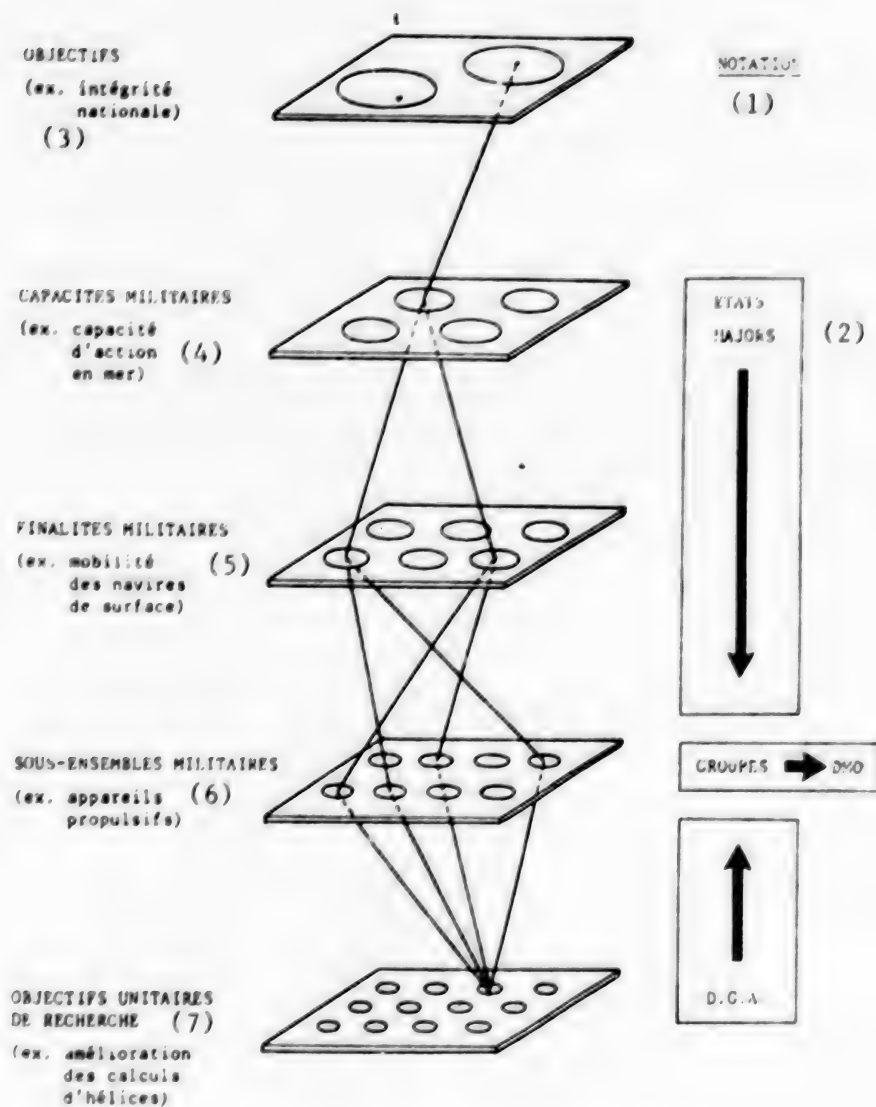
At the conclusion of this reflection, the programming groups of the GTPI can then delineate major directions for the future, and, starting from the amount devoted to the various lines of effort in the course of the first year, indicate the evolution desirable for the following 2 years, which is the basis for all real programming.

The Multiyear Program of Exploratory Development (PPDE)

Examination of the PPDE is relatively simple inasmuch as this program is formed of a limited number of operations whose objective and content is clearly specified from the outset. Each project is examined by at least one programming group of the GTPI, with the participation of the general staffs and of GROUPES, to make sure that it is sufficiently mature, that it meets a general-staff need (or, exceptionally, a need of the DGA itself, which is an industrial enterprise) and that it is coming along in time--neither too late nor too early--to be able to be used in a future development. After this series of examinations, the coordination group makes a classification of all of the projects, and then, in a final meeting, it establishes the list of those whose financing is proposed to the minister, after taking into account the financing needs of the exploratory development in progress. At this stage, the competition is generally severe, especially among the projects for which the general staffs are asking for financing from the Common Section; thus, in 1983, only 18 new exploratory-development projects could be launched, whereas 46 proposals had been presented by the technical directorates at the start. They have been added to the 176 exploratory-development projects in progress.

As regards the 3-year programming--that is, the fixing of the second and third years of the PPDE--the provisions are based on a number of elements of a financial or technical-operational nature.

Principle of the CPE Method of Research Planning



Key.

- | | |
|--|--|
| 1. Grading | 5. Military End-Purposes (for example: mobility of surface vessels) |
| 2. General Staffs | 6. Military Subunits (for example: propulsive devices) |
| 3. Objectives (for example: national integrity) | 7. Unitary Research Objectives (for example: improvement of propeller calculation) |
| 4. Military Capacities (for example: capacity for action at sea) | |

On the financial level, the following factors have to be taken into account:

--the total resources provided for the upstream studies in the programming, and, within these resources, the part that may be devoted to exploratory development (20 to 25 percent seems a reasonable proportion);

--the credits necessary for continuation of operations launched previously; experience shows that the average duration of financing of an exploratory-development project is between 4 and 6 years and that the program-authorizations need for the second year is, on the average, somewhat greater than for the first year;

--the necessity of maintaining a sufficient margin of maneuver for the future; under normal conditions, it is desirable for nearly a quarter of the amount programmed to be devoted to the launching of new operations each year.

On the technical-operational level, the proposals deferred and the outlines not eliminated, which can therefore be represented by supplying, eventually, the necessary specifics and modifications, should be taken into account. It should not be forgotten, though, that in practice, a good many exploratory-development projects are launched without ever having been outlined before, while a good many others, which earlier might have been considered definite, will remain in the files in the end.

Everyone Is Involved

There is no doubt about the fact that defense research constitutes a complex system. Between the initial directives of the CRED and the final approval of the programs by that same council, a great amount of work of a scientific, budgetary or administrative nature has to be done--work that involves organisms with various responsibilities, general staffs, GROUPES, technical and functional directorates.

The success of such an enterprise, which is probably unique of its kind by virtue of its very high degree of integration, obviously depends on a precise methodology, gradually worked out over a period of some 15 years, but even more, on all those persons--there are many of them--who, on time schedules that are often tight, do everything they can in order for things to move forward. The close and constructive cooperation within this framework among the various partners, engineers and officers, certainly constitutes in itself one of the positive aspects of the orientation and programming of upstream studies, and it is the guarantee of effective preparation for the future.

11267

CSO: 3519/62

CONFERENCE EXAMINES PROBLEM OF DEFENSE IN NORTH

Oslo AFTENPOSTEN in Norwegian 26 Oct 83 p 5

/Article by Liv Hegna: "Study on the Northern Regions: Norwegian Defense Policy Does Not Guarantee Low Tension"/

/Text/ Has Norway adopted a low tension policy which has deprived us of our freedom of action in defense policy and military affairs? This question was raised at the seminar of the Norwegian Defense College Study Committee which was held in Halden recently. It was pointed out that the lack of investments in defense efforts, such as defense of airfields and ports, bears out this policy, and at the same time it was emphasized that Norway's actions are never looked upon in a friendly manner by the Soviets when they involve so-called self-imposed restrictions in order to maintain low tension in the North.

The concept of self-imposed restrictions was in this connection not centered on Norwegian base and nuclear policies which should be viewed on broader basis in connection with the superpowers and as such as a link in global detente policy.

Norwegian restrictions regarding deficient concentration on prestockpiling in the northern regions, on airfields without defense capability and on complete lack of interest in defending ports and important points of communications, can be viewed as an attempt to pursue a low tension policy. However, this only creates a vacuum in our country which could be tempting for an attacking party to fill. The conclusion is that the military leaders who will eventually evaluate an attack on Norway, or parts of the country, will estimate the costs of such an action to be very little based on Norway's failure to invest in defense efforts.

In addition, it was decided that the idea of promoting an internal liberalization in the Soviet Union by a policy of detente appears to be a failure. Associate Professor Jens A. Christophersen said in his speech that during NATO's existence a policy of detente had been pursued and that the security policy situation that has been created in Europe can easily continue. The professor said it was a fact that the Western states show impatience when it comes to obtaining concrete results while the Soviets for their part are not burdened with the same domestic policy considerations, and he stressed that disarmament efforts and foreign and

security policies should be pursued between governments: "Peace movements such as we know them in the West can easily exist in one country and not in another," said Professor Christophersen.

Assistant Secretary Arild Isegg of the Defense Department said, however, that it is an impossible task to pursue a foreign policy in a Western country that does not have support from the opposition.

Grethe Vaerno, member of parliament (Conservative Party), pointed out that it is a political dilemma to decide not to provoke our neighbor in the North at the same time we presuppose that we will be prepared to defend ourselves.

Researcher Arild Moe from Polhogda, ascertained that the "internal ripening" of the Soviet system, which was one of the presuppositions when the Western "policy of restraint" was formulated 35 years ago, has not taken place. The country is completely lacking in political infrastructure and democratic experience and this makes it impossible to presuppose a policy of detente in which both human rights and military disarmament are pursued simultaneously. Moe pointed out that the Soviet Union is a superpower exclusively on the basis of its military strength and that linkage with human rights is observed as an attack on the internal political system.

"Human rights exist in the West independent of the state. In the East it is more like human rights are granted by the state. In the East human rights are used as means to discredit the regimes. No pure idealistic policy from the West can be pursued at this point," said Moe, as he pointed out that the development of human rights in the East and further implementation of the Helsinki Accords will depend on very good atmosphere of detente.

It was pointed out by many of the participants that very often a conflict of conscience arises in the West when a pure foreign policy is followed, irrespective of the requirements of domestic policy to link the development of democratic rights and arms control. The chairman of the study committee, Assistant Secretary Nordahl Rolandsøy, emphasized, however, that an outright violation of human rights can clearly be pointed out by Western governments without making the change of systems in the Soviet Union a prerequisite for concessions within the security policy, arms control and disarmament.

9583

CSO: 3639/17

COUNTRY LACKING POLITICAL WILL TO ESTABLISH CREDIBLE DEFENSE

Oslo AFTENPOSTEN in Norwegian 21 Oct 83 p 2

/Op+Ed Article by Olav Trygve Storvik: "Political Crisis in Defense"; passages within slantlines are in italics/

/Text/ Defense Panel Chairman Knut Frydenlund should be thanked for raising a fundamental debate about the qualification and structure of the Defense Forces. The debate is about how much we can afford. There is a good deal to be said both about the analyses and suggestions for the solutions that Frydenlund puts forth.

Here the attention will be put on two main points:

The greatest lack in Frydenlund's articles is a political evaluation of how extensive our defense plan should be in relation to a reasonable and credible military threat, or whether other factors in our situation as a whole should be given greater importance when the defense budget is decided? As Frydenlund does not mention what threat we are facing, it must be outlined briefly.

The Soviet Northern Fleet is steadily developing. We were reminded of that last week when a completely new type of rocket cruiser of the Krasina-class was added to it. By the end of the decade we can expect the first Soviet nuclear-powered aircraft carrier of approximately 60,000 tons. The fleet already has three helicopter carriers and the fourth is under construction. The development indicates that the Soviet fleet is in the process of making itself independent of land based air support which has been one of its weaknesses and limiting factors. But even now these vessels can in a crisis situation control large ocean areas and will be able to exercise uncomfortable political pressure. One example of this took place last month when a large Soviet force operated in the Norwegian Sea towards Iceland and Great Britain. The Soviets have also built more submarines, the so-called "hunter-killers," that give them greater capability to attack and break communications across the Atlantic, for example, to Norway.

The flight operations that were introduced in 1981 and are still going on indicate the same direction. Then for the first time did a long-range bomber of the Backfire B-class cruise from the Kola Peninsula out to the Norwegian Sea. The aircraft had their homebase in the Baltic area but used Olenogorsk

at the Kola Peninsula as a transit station. Equipped with the long-range cruise missiles, these aircraft pose a serious threat to reinforcements, for example, that are trying to reach Norway--and particularly if they operate in a coordinated attack with naval forces on the surface and underwater. The incident also shows that it is not possible to attach special importance to the type and level of air strength the Soviets have at any given time at the Kola Peninsula. What is crucial is that there are bases that can receive and service aircraft that are brought from other areas of the Soviet Union on very short notice. It should also be mentioned that a new type of modern aircraft of the Foxhound A-class has been put into use which with its special weaponry emphasizes that the Kola Peninsula is a forward defense area which can also be used as forward air support base for an invasion force in Northern Norway, because of the long-range capability of this aircraft.

Like other Soviet divisions, the land forces on the Kola Peninsula are also being modernized. This means a new generation of weaponry and greater mobility. The forces have obvious offensive capabilities and can undertake limited attacks against targets in Finnmark on short notice. The land based nuclear weapons in the northern areas of the Soviet Union, which seem to be intended solely against the Nordic countries, are also undergoing modernization. They will have a longer range and greater accuracy.

All this and more which constitutes the threat against Norway is, of course, not unfamiliar to Frydenlund. But there is reason to repeat the question raised in the beginning of the article: Should our own defense be /credible/ in relation to this? This is not just talk about "competing with a superpower over the whole spectrum in the technological arms race," as Frydenlund writes somewhat rhetorically and unobjectively. Nobody has claimed that, nor is it necessary. But there is no doubt about it that it is a presupposition to stand firm on balanced defense with credible numbers and weapon systems on a reasonably high technological level.

To illustrate this threat more completely, it should also be pointed out that presuppositions on which the defense plan has been based up to now, are about to change. This applies to Sweden, for example, which has been expected to provide protection from an attack from the East as it has had the capability to maintain satisfactory air defense. But the situation is not viewed thus in Moscow anymore. In an interview with DAGENS NYHETER the Soviet General Viktor Tatarnikov doubts Sweden's ability to stay neutral. According to the General, Moscow now expects that Sweden is unable to guarantee the Soviet Union against air attack from the West. But the same must apply to the other direction, and we must therefore assume that the Soviet Union to a greater extent than before is prepared to attack Southern Norway both with air and land based forces. Denmark's ability to defend Sjaelland can also be doubted as the development has been, despite the fact that it is the main premise for the defense plan for Southern Norway.

In this situation the plan in political quarters is to build down the Defense Forces. It is obvious already that standby divisions will be abolished and it would not surprise me if, for example, the Army War Organization will be reduced by two--perhaps three brigades. In that case, it would be one-fourth of the Norwegian Army.

Nevertheless, it is difficult to see that the Defense Force is faced with economic crisis--such as is claimed in political quarters: Norway is one of the most prosperous countries in NATO and will continue to be in the foreseeable future. Moreover, less of the total national resources are used for defense than in many of the smaller prosperous NATO countries. Norway is larger and is exposed over more territory than most of the others. But at the same time special treatment is demanded within NATO with self-imposed defense restrictions (for good reasons), but it has not been tried to offset the restrictions by higher appropriations to make the defense easier. During the 1950's while the country was poor and developing, relatively more was used for defense than in the 1980's when the Norwegian state is enjoying the most prosperous period in its short history. To many this seems more of a leadership crisis--not an economic crisis. The funds are there is there is political willingness, but someone must take the lead and explain the necessity of that opinion.

Political willingness (or lack of it) to use the funds for defense also has another side: Which conclusions does Frydenlund think the leaders in Moscow will draw if NATO's most prosperous country does not see fit to maintain the relative defense capabilities? Is it reasonable to assume that they in the first round will in various ways try to test what this means, even by actions that can be slightly uncomfortable? Or does Frydenlund look away from such a possibility?

According to military analyses, the need for forces to keep the crucial areas in North Norway is directly dependent on whether the Army divisions will be modernized according to the available plans. If that does not happen, studies undertaken within NATO indicate that it would be necessary to increase the extent of Norwegian or allied reinforcements to North Norway to a /considerable degree/.

Against this background, and because Frydenlund suggests reductions in the Defense Forces, it is necessary to pose the question: Is the Defense Panel chairman ready to try again various sides of our self-imposed restrictions in order to counter the damaging effects that will arise? Can he, for example, agree to various foreign military divisions being stationed in Norway in peacetime? It comes to mind to think of the Canadian "CAST Brigade" or portions of it as it would not be suspected of bringing nuclear weapons.

9383

CSO: 3639/17

MORE DETAILS ON DENIAL OF DEFENSE PANEL SEAT TO LEFTIST

Oslo ARBEIDERBLADET in Norwegian 20 Oct 83 p 7

[Article by Pal Nordenborg: "Stein Ornhof Unlikely on Defense Panel"]

[Text] It is unlikely that Sten Ornhof of the Socialist Left Party will become a member of the Storting Defense Panel. This morning the Storting election committee under the leadership of Storting President Per Hysing-Dahl will continue the handling of the matter after some confusion arose at the last meeting about whether the Storting had been acting with the correct number of members on the Defense Panel during this last session. It looks like only the Labor Party will be supporting the Socialist Left Party candidate.

The Defense Panel had 10 members up to now during this session. But after the Storting assembled after the election 2 years ago, changes in party representation took place, based on re-election in Troms and Buskerud. This may have given basis for 11 members on the Defense Panel. According to what ARBEIDERBLADET has learned, the Storting administration has made a report that concludes that the appointment of 10 members is probably correct. No objections were raised at that time either.

As a result, Ornhof's seat on the Defense Panel will depend on the majority in the Storting agreeing to an expansion of the panel to 11 members. Even if the Labor Party feels that the security policy debate in the Storting will be best served with the Socialist Left Party represented on the panel, it is not of immediate importance for the party to stretch itself so far as to yield one of its seats to the disposal of the Socialist Left Party representative.

The nonsocialist parties will now be able to utilize a formal agreement against Ornhof of saying no to expansion of the panel and to eventually lend a voice to Ornhof's getting in if that can happen at the cost of the Labor Party.

The Socialist Left Party has not had a seat on the Defense Panel since the Socialist Election League received a voter support of 11.2 percent and won 16 seats during the parliamentary elections in 1973.

DEFENSE MINISTER STRESSING CONSCRIPTION, ADVANCED TECHNOLOGY

Stockholm 7 DAGAR in Swedish 28 Oct 83 pp 10-11

[Article by Ulf Wickbom: "Thunborg's Two Doctrines"]

[Text] Defense Minister Anders Thunborg has one doctrine with two principles. A general military service requirement is the first. Blue and gold fighter planes is the other. Thunborg's problem is now the evaluation of these costly principles -- people's defense and super technology.

It is tempting to speak of a Thunborg doctrine. The defense minister is strongly convinced that there are two factors that will make the world around believe in Sweden's neutrality.

"It is a force that can muster 800,000 people under arms, even if they don't receive the most up to date weapons," Thunborg said.

A general military service requirement is Thunborg's first principle. This principle has begun to be put in question by other participants in the defense debate, among others, by Hans Lindblad in an article in 7 DAGAR (no. 40).

"Another strength is that we have been able to develop our own fighter planes, all from Tunnan and Viggen and JAS, even if we reduce the number of JAS planes a little and delay production."

Blue and gold fighter planes is the other principle of the Thunborg doctrine. His most important task as defense minister will be to achieve the most suitable balance between these two principles. A balance between soldiers and weapons systems, between people's defense and super technology.

Anders Thunborg has been defense minister barely a year. He was called in from the UN embassy in New York when Olof Palme's first defense minister, "Red" Borje Andersson, left the government just as unexpectedly as he joined it. He preferred to live quietly with his family in Borlange rather than take part in the great political uproar around Harsfjarden.

Thunborg thrived in the heat of the UN debates and is well prepared for the tasks in the department. He was undersecretary in the defense department up

to 1974 and spokesman in defense analysis up to 1976.

"What hit me when I came back from New York was that 90 percent of all the questions were well known. Defense planning is so long range, of course," he said.

But there is an important difference between the work in the chancellery in the early 1970's and now. Then there was money. Now this is a very short item in defense.

A few weeks ago, Commander in Chief Lennart Ljung said that defense lacked 4.5 billion kronor for the period 1982-87. The defense department is now studying these figures, but it is already quite clear that the Air Force is the hardest hit.

Money and Planning

But the defense debate does not center so stubbornly as before around money. The many submarine incidents in recent years have made more people than before think about what the money will be used for.

The defense budget of 1972 has become a dramatic and instructive example. Everyone was almost completely agreed on scrapping the Navy's submarine chasers. Now there is a rapid buildup of this capacity again.

Y DAGARS put the question earlier whether defense planning is keeping pace with the rapid technical development in the world or if we are solidifying outmoded strategies in the same way the French built their Maginot Line fortress in the 1930's without regard to the growing possibilities in the use of tanks.

Defense Minister Thunborg says that the submarine incidents at Harsfjorden last fall reveal a lack of sufficient planning, perhaps simply a lack of imagination.

"It was only in the submarine commission's report that one realized we were dealing with mini subs. One knew long before this that the technology was available, among others, on the civilian offshore side. But still everyone remained asleep."

Y DAGAR: Can we be caught napping in other defense branches?

Aster Thunborg shrugs his shoulders.

"Our Air Force has a high technical development. This is proved, of course, among other things, by the fact that we have no violations of our air space. Nor do we have problems defending our borders against surface vessels, or to defend our land borders," he said.

"But it will be a spur to perspective planning to try to consider every different technological breakthrough," Thunborg said.

Perspective planning is the attempt of the military experts to look far into the future, so that the politicians in the coming defense analysis will have an idea of political and military developments in the world.

Ready to Reconsider

Hans Lindblad, who is one of the Liberal Party's defense experts, and Moderate Carl Bildt claim that the air defense can become the next "gap" with the same large holes as in submarine defense.

"There is always the danger that one cannot think of new things. We must always be ready to reconsider," Thunborg said.

The next defense consideration will also get material from the analysis of the military service requirement, which has the task of looking over the idea of a general military service requirement and its future direction.

The defense minister has his principles ready on this point.

"One can change little at the edges," he says and with this opposes the thoughts of Lindblad and others on more radical changes. Lindblad wants to reduce the number of conscripts in basic training by 15,000 per year. Then one will receive 1.5 billion to purchase better material.

Thunborg has a counterargument.

"If one uses the money for more material, then the question is: What quantity will one get? New weapons systems are frightfully expensive if they are to be obtained in large amounts," he says.

Besides this, he is -- through experience -- worried that new weapons systems will become young cuckoos in the defense budget. All new acquisitions are cheap when they are ordered, but much more expensive when they must be paid for.

In a somewhat longer perspective, defense has other personnel troubles than an overflow of conscripts.

"As early as the beginning of the 1990's the age groups will shrink. There will be 8,000 to 10,000 fewer liable for military service than today," Thunborg said. He is also worried about another development: the aging of leadership. In the 1990's, two thirds of the Army's leadership will be over 40, he says.

Thunborg hopes -- and thinks -- that the next defense budget can be made with great agreement.

"There are nuances between the parties, but the politicians are still in the same ballpark," he said.

It is interesting to note that Norway is in the midst of a defense debate that in large part reminds one of Sweden. Knut Frydenlund, foreign minister in the last Labor government, wrote some polemic articles in AFTENPOSTEN in October. He wants to start a discussion on the balance between the expansion of conscription and the procurement of new weapons.

Frydenlund also outlines three different paths of development for the Norwegian defense forces. To continue as now with a growing gap between defense policy and the actual development. To increase the appropriation -- almost impossible in the present economic situation. To reduce the defense force to save money. This became Frydenlund's own model.

Same question in Sweden: just as help to underdeveloped countries is not held sacred, will defense have to get along with reduced appropriations and an inevitable reconsideration of the present principles?

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OS: 3626/24

SUBMARINE INTRUSIONS: CONCERN OVER USSR MOTIVES, WAYS TO HALT

USSR Wants Sweden Distant From NATO

Stockholm GNISTAN in Swedish 29 Sep 83 p 4

[Article by Hans Falk]

[Text] The Soviet Union wants Sweden to have a more critical attitude toward the United States and NATO--and it has succeeded at small cost to itself.

That is one of the objectives of the Soviet submarine incursions, according to Professor Kjell Goldman. He was part of a group in the Liberal Party that analyzed the Soviet motives behind the "submarine diplomacy."

"The great extent of the violations, the fact that they continued in spite of strong Swedish protests and the fact that the violations were combined with 'psychological warfare' against Sweden all add up to the probability that the Soviet motive is more far-reaching than the Submarine Commission thought."

That was the conclusion of a task force within the Liberal Party that prepared its own submarine report.

The task force included peace researcher Kjell Goldman, Hakan Holmberg, Ph. D., former member of Riksdag and defense expert Hans Lindblad and Lieutenant Colonel Gunnar Widh. A major theme of the report, the full title of which is "Sweden and the Submarine Incidents in a Security and Military Policy Perspective," is that the national Submarine Commission underestimated the political motives of the Soviet Union.

Political Motive

"It may be that the Russians want us to get used to their presence in the Baltic Sea," Professor Kjell Goldman told GNISTAN. "It may be that the USSR wants to make it clear to us and perhaps to NATO that the Baltic is a Soviet area."

"But I would like to stress that it is not possible to make any definite statements concerning Soviet motives. That is why we reject the Submarine Commission's dismissal of everything except military motives."

If the Russians really want to make their presence known, as the group maintains, are they deliberately trying to be detected?

"They probably do not want to be detected. Definite proof is not good. If what you say is correct, what has happened now is exactly the right thing. On the one hand it was made clear whose territory this is and on the other, a major international war was avoided."

More Critical of NATO

What the report says the Russians want to achieve is to show such superiority and to demonstrate so explicitly that the Nordic region is a Soviet sphere of interest that the Nordic lands will take this into account in their policies.

"One goal could be to get Sweden to intensify its neutral attitude and to become more restrictive in its exchanges with the West. The Bildt affair and the U.S. reactions to it could be seen as an example of progress for this variant of Soviet gunboat diplomacy."

Does that mean in plain terms that he feels Palme was serving the Russians in the Bildt affair?

"No, but it has unintentionally had that effect," Kjell Goldman said.

Are there more examples like that?

"Swedish foreign policy after the Submarine Commission report has changed so little that this must be seen as a success for the Soviet Union. It has not cost the Soviet Union much to violate Swedish territorial waters. In a manner of speaking we have had 'business as usual' following the Harsfjorden incident."

Should the government have reacted more strongly?

"Well yes, I think so. Above all, the government should have made it clear back in the spring that if the Soviet Union continued as it has so far, there will be political consequences."

The report says the submarine violations represent the most serious test of our security and defense policy since World War II.

"We must stop the submarine violations," said Kjell Goldman. "They are undermining our policy of neutrality. That is why we unconditionally support the reinforcements of submarine defense that will now be made."

Are they also prepared to increase defense funding in light of the threat to which Sweden is exposed?

"It is too early to say, we must look into which steps are needed. And money is scarce. But this is undoubtedly a substantial argument for a strong defense."

Reasons for Sub Hunt Failures Discussed

Stockholm 7 DAGAR in Swedish 23 Sep 83 pp 8-9

[Article by Claes Lofgren]

[Text] Between 20 and 40 submarine observations have been documented in this year alone. Why has there never been a clash? Can we, do we want to, do we dare? 7 DAGAR examines the hunt for submarines this year.

At best, they crawl out of their submarines deafened, tired but unharmed at their base in Kaliningrad--where else? One more successful operation is over. On the other side of the Baltic, a group of exhausted submarine hunters can chalk up another failure.

Week after week, month after month the game continues. In the spring and summer, hundreds of Swedes have seen mysterious pipes, concentric water eddies and bow swells unaccompanied by engine sounds along our coasts.

OB [Supreme Commander of the Armed Forces] and the defense minister held a press conference. Between 20 and 40 reliable submarine observations were considered to have been documented during 1983. Over a 10-year period 1.2 billion kronor will go toward reinforcing submarine defenses. If all goes really well we can force a submarine to the surface around 1990, when the billions begin to take effect.

At the same time as the press conference was being held in Stockholm, submarine hunts were going on in four locations: Karlskrona, Hudiksvall, Sundsvall and Marstrand. In the middle of the current sub-hunting exercises, a possible (impossible?) miniature submarine entered the southern approach to Karlskrona. Indications from the clearly limited area behind two islands are unmistakable. On the spot are Vertol helicopters, patrol boats, minesweepers and divers. Some 15 depth charges are dropped. No result.

The navy maintained that it was actually the sub-hunting exercises themselves that led to the unannounced visit. The very questions arise that came up during the Harsfjarden events: Is it just technical deficiencies

that make a successful sub hunt impossible? Or is the problem that the government and top defense leadership do not dare capture a sub?

So far the latest submarines are officially just "foreign"--those in Harsfjarden were Soviet. The Submarine Commission established that. The agitation over singling out the Soviet Union obscured many of the questions aroused by the commission's report.

Between Saturday, 2 October, and Thursday, 7 October, the navy dropped 42 depth charges. A mine was exploded. Starting Friday, 8 October--the same day the Palme government settled in at the Chancellery--only two depth charges were dropped. Three mines were exploded.

Sensational News

The day before, a cease-fire was ordered for Harsfjarden and Mysingen. The reason given in the commission report was that an evaluation of the "unusually massive weapons effort" on Friday was necessary. That is the same day the normally serious Italian news bureau, ANSA, sent out a sensational news item on the wires: Sweden was negotiating with the owner of the submarines on their release through a representative.

That was also the day that submarine patrols made contact with a submarine in northern Mysingen. The report said this was probably a conventional sub. It also said the submarine did not leave Mysingen through the Malsten mine barrier. But during the reconnaissance, the military said that no other passage was possible except the one through Malsten.

The evidence against the Soviet Union occupies a total of two pages in the report. For those who do not know the background for the charge, in contrast to the commission, no evaluation is possible. What is known about the owner of the submarines that cannot be published?

Is the motive the commission gave for the cease-fire the real one? Why was there so little effective firepower after the Palme government took office?

Navy chief Per Rudberg says today:

"Both governments were in complete agreement in their assessments and they behaved in an exemplary fashion. The cease-fire was due to our being forced to change tactics. Despite an exceptional weapons effort we had neither damaged a sub nor forced one to the surface. The submarine that started the hunt was undoubtedly a conventional one. That is what determined our tactics.

"But when effective fire gave no results we realized that we were contending with a kind of miniature submarine. But we did not know exactly what we were bombing--we were fighting with one hand tied behind our back."

7 DAGAR: "Weren't you afraid that the sub or subs would slip away while you sat and discussed tactics?"

"No, we were sure the submarine was practically bottled up in Harsfjorden. In addition all the depth charges were making acoustical surveillance difficult. We tried to construct obstacles at all the exits from Harsfjorden--the word barricade was an exaggeration. The effort was improvised. In the beginning we lacked materiel. We tried to build up a system of indicating passage. This consisted of boats and ordinary nets. If a submarine went through, it would take the net with it or tear it. The change in tactics was also due to the fact that the indications became different and less numerous.

"After the Palme government took office, we were given permission to drop depth charges without issuing advance warning.

Miniature War

"But as chief of the navy, I was forced to think of my personnel. The difference between being heroes and being murderers can be extremely small. We had to make it clear to the politicians that what was going on was really a war in miniature. The enemy was not simply going to give in. There was an imminent risk that a lot of blood would flow. It was important to make it clear that the responsibility lay with the government and the defense leadership."

7 DAGAR: "The evidence the report gave against the Soviet Union would hardly stand the scrutiny of the sleepiest district court. Why didn't it include more concrete facts that pointed directly to the Soviet Union?"

"We were not trying to convince a district court. The commission had access to all the material. It drew its conclusions for the government, which decided to protest. If we had published more information, we would have revealed our hand to our opponent. If we had been convinced that the Harsfjorden incident was a one-time phenomenon we would have laid all our cards on the table. But the trend pointed in the opposite direction."

7 DAGAR: "But the opponent gets a lot of information from the mass media and public documents. We can probably add high-quality espionage to that. What do you know that the opponent does not?"

"They know of our resources, but not how we use them. This is shown by the fact that our exercises are followed with great interest by both NATO and the Warsaw Pact lands."

7 DAGAR: "Why can't you just sink a submarine--since military people usually say this would not be a problem if a war was going on?"

"What kind of a system are we actually defending? A system in which respect for human life is a cornerstone. We cannot defend the system with methods that go against these basic values."

Both the government and the military leadership realize the political implications of the submarine hunt. A destroyed or partially damaged Soviet submarine in inner Swedish waters would be both a political and a military nightmare. It does not take much imagination to realize that the Soviet Union would regard such an event as a directly hostile act.

The government and the commission believe that the motive behind the violations is primarily military. The Russian submarine visits are "merely" preparations for a possible future war. This would not be really dangerous until a war breaks out and this can be prevented with an active diplomacy that includes nuclear-free zones and arms reduction proposals.

Gunboat Diplomacy

A growing number of security policy debaters--among them Carl Bildt, Wilhelm Agrell, Kjell Goldman and Kristian Gerner--claim that the motive is more political than primarily military. The intrusions are a kind of gunboat diplomacy to make Sweden understand that we belong to the Soviet sphere of interest.

What those who stress the political motive have in common is that they call into question the basis for Sweden's freedom from alliances. But no one advocates abandoning our neutrality. However various conclusions have been drawn from the same analysis.

Agrell's conclusion is that we should through a long and "tedious process... build up both respect and credibility (for our policy of neutrality), primarily in the East. Otherwise the foundation of the postwar policy of neutrality will be shaken." (DAGENS NYHETER, 17 September) Bildt has entirely different methods for solving the Swedish dilemma:

"What is needed is a deliberate plan to readjust defense to the demands made by the challenge to security policy. It should be obvious that this involves a reinforcement of border defenses and defense preparedness to meet various situations." (SVENSKA DAGBLADET, 18 September)

It may seem strange that the debate on such decisive matters for Sweden is being conducted by such a small group--at least publicly. But the fact that security policy is explosive material far outside the corridors of the Government Office Building was demonstrated during a press conference recently held by the Liberal Party.

A task force within the party presented the Liberal Party view of the submarine violations. During the question-and-answer period, Kjell Goldman--who was part of the group--explained that a completely unbiased security policy debate could only be held by so-called free debaters. Other rules applied to politicians.

Birgit Friggebo cleared her throat and added:

"Politicians cannot hold hypothetical discussions."

Since when have Swedish politicians stopped pursuing purely hypothetical discussions?

Delay in Refitting Helicopters

Stockholm SVENSKA DAGBLADET in Swedish 25 Sep 83 p 6

[Article by Sune Olofson]

[Text] The matter deserves scorn and contempt. That is how several critical military people on the defense staff expressed themselves in response to the fact that it will take 5 years before existing helicopters in the navy can be equipped to hunt for submarines.

After the Uto incident in 1980, when a foreign submarine violated Swedish territory in a conspicuous manner, naval chief Per Rudberg decided that three older helicopters of the Vertol 4-B type should be rebuilt and be given a sub-hunting capacity. In 1981, FMV, the Defense Materiel Command, was given this assignment.

Today, 2 years later, FMV has not even decided which firm should carry out the remodeling. No contract has been written. The helicopters can hardly be ready for operative flights before the beginning of 1986.

Unnecessary Bureaucracy

This involves 5 years for the decision, materiel acquisition and remodeling. During this period, OB Lennart Ljung has announced that the submarine incursions are continuing.

"Things should not go like that in the defense system. Now both the political and the military leaders must pound on the table. I am amazed that this has not happened yet," said the Conservative Party's security expert, Carl Bildt.

When SVENSKA DAGBLADET looked into this affair, it was obvious that everyone is blaming someone else, no one is willing to take the responsibility for the way the matter has been handled.

"The whole thing is due to unnecessary bureaucracy in FMV," said navy press chief Sven Carlsson.

FMV press chief Bertil Erksammar said:

"It is not that easy. People don't have enough time here. We have been hit with drastic cuts."

Old Antagonisms

A Lieutenant Colonel in the planning division of the defense staff said:

"Sweden did not have the world's best defense minister for a while, you know."

Descriptions and reasons vary.

It is part of the picture that the air force got into the matter and charged that it is wrong to extend the life of old helicopters from 1963, that it will be too costly. It would be better to buy new machines. But now the air force has changed its mind and says it would be good to extend the life span of the helicopters, even as long as the year 2000.

At the bottom lie old antagonisms between the navy and the air force that started when the navy was equipped with helicopters in the 1950's. "The navy should not be flying," the air force people said. Out in the units fighter pilots who ended up in the water after a crash said that they felt demeaned by being rescued by navy pilots in navy helicopters.

The remodeling of the three helicopters, which were really built for rescue work, involves equipping them with a hydrophone, a radar system, firing control equipment for torpedoes and modern technical equipment to facilitate flying and target finding.

Hard to Find Firms

According to experts at FMV, the defense staff and the navy this work could have been accomplished in 2-3 years at the most. In other words the helicopters should have been ready this year.

SVENSKA DAGBLADET has learned that at this moment contract negotiations are going on with FFV [Swedish National Defense Manufacturer], Osterman's and Swedair. It is estimated that the talks could be concluded in November.

"We have not yet been able to find any firm that could take the job," said FMV navy director Gunnar Karlsson. "There is not much room for remodeling."

Gunnar Karlsson referred to a "ticklish negotiation situation in which the Foreign Ministry has been involved."

Carl Bildt said that it is not necessary for a Swedish firm to get the remodeling job.

"FMV should go outside the country and dig up firms," said Carl Bildt.

"There are no good firms outside the country. There would also be transport problems," Gunnar Karlsson replied.

Built-In Inertia

The whole thing does not depend on FMV alone, in the view of an air force colonel who got in touch with SVENSKA DAGBLADET on his own.

"There is a built-in inertia and conservatism in the navy. There is no vitality in the navy. And the enthusiasm that characterizes naval units has not reached the navy leadership."

Sven Carlsson replied:

"That is entirely wrong. We put great effort into getting things cleared up and obtaining better resources, from the lowest level to the very highest. The chief of the navy himself has been very irritated about this matter."

Commander Claes Thornberg, head of the navy staff planning division said:

"It is the state's control apparatus, the bureaucratic procedures used in purchasing materiel that are making things difficult. Carl Bildt and his party should engage in some serious soul-searching before they express criticism. What has the Conservative Party done in this context?"

It is to be hoped that the navy will get three new helicopters equipped for submarine hunting in 1986.

Delay in Sub-Hunting Funds

Stockholm SVENSKA DAGBLADET in Swedish 9 Oct 83 p 8

[Article by Sune Olofson]

[Text] The navy has still not received 250 million kronor for the improvement of sub-hunting capability. Freeing up new funds is a complicated bureaucratic matter.

This April the Submarine Defense Commission proposed that the navy immediately receive 250 million kronor to reinforce submarine protection.

But the navy has not yet received the money. The funds will be paid to the navy just before Christmas.

But the Swedish people will start paying higher energy taxes to provide the 250 million kronor starting 1 November. The Social Democrats arrived at a settlement with the middle parties in May. The agreement consisted of raising energy taxes by 110 kronor per cubic meter.

But the government never got around to writing a bill in the spring and thus the spring Riksdag could not take a stand on the matter. Instead the issue will now be decided by the fall Riksdag session.

The 250 million kronor are included in the government's first supplemental budget. The matter must first be approved by the Defense Committee, which will send it out to the parties in Riksdag for the future introduction of a motion.

"I estimate that this will come up in Riksdag at the end of November or the beginning of December," said Styrbjorn Lindow, chief of staff for the Defense Committee.

After that the matter can be debated in Riksdag and any motions to be submitted must be written and put to the test.

When Riksdag votes and the speaker has pounded the gavel, the speaker will sign a paper giving the government the right to issue a so-called authorization order to the navy.

"First then can we start to order new materiel," said navy press director Sven Carlsson.

By then it will be Christmas and 7 months will have gone by since the Submarine Defense Commission made its recommendation.

The first thing the navy will do is to intensify work on the construction of two new minesweepers and to order another four.

"We will also start on the remodeling of four helicopters, equipping them for sub-hunting, and we will order hydrophone buoys and monitoring equipment which will be placed in the archipelagoes," said Sven Carlsson.

He stressed that the 250 million kronor would only be enough to pay for a fraction of the real cost of such things as mine-detecting vessels.

Sub Commission Seen Gullible on SPETSNAZ

Stockholm DAGENS NYHETER in Swedish 19 Oct 83 p 2

[Op Ed article by Ingemar Myhrberg]

[Text] "We are not paying much attention to this book or to Suvorov's article either. Personally I would like to see his book thrown out with the trash." That is what a spokesman for the defense staff had to say of defecting Soviet officer Viktor Suvorov's information about Soviet diversion units, so-called SPETSNAZ,

which supposedly operate from minisubs, according to journalist Ingemar Myhrberg. But in spite of this the book has been used by the Submarine Defense Commission to support its conclusions about Soviet minisubs, writes Myhrberg.

Reports about Soviet diversion units, so-called SPETSNAZ, said to operate from miniature submarines, have recently been circulated as headline news. Actually this is old material.

As early as last fall, alleged Soviet officer and defector Viktor Suvorov's book "Inside the Soviet Army" became available in Sweden. The information in the Swiss military periodical, INTERNATIONAL DEFENSE REVIEW, was simply a further expansion of what Suvorov had already said in his book.

Anyone who takes the trouble to read "Inside the Soviet Army" from cover to cover will find that it is a deplorable hodgepodge of known facts mixed together with loose allegations of various kinds that are impossible to check. The book contains so many erroneous, peculiar and in many cases simply ridiculous details and information that no moderately knowledgeable and serious observer could take it seriously.

At the defense staff's intelligence section, it is considered quite improbable that a Soviet captain could have the overall view that would be required to make so many detailed charges about the entire Soviet defense system.

They think therefore that the book must be a team effort, but would not say who might have helped Suvorov, if such a person exists at all. The name is a pseudonym.

According to a spokesman on the defense staff, "Inside the Soviet Army" could very well be produced by the CIA or some other organization interested in spreading this kind of information. The book is primarily a militant polemical blast against the entire Soviet system. That is the real intention behind its publication, according to the same spokesman.

"We do not have much respect for this book or for Suvorov's article either. Personally I would like to see his book thrown out with the trash."

In spite of this, "Inside the Soviet Army" was used by the Submarine Defense Commission as support for its conclusions on the Soviet minisubs. When the navy presented its theories of minisubs crawling along on treads in an effort to explain why the submarines in Harsfjorden got away in spite of barricade efforts and the use of depth charges, the members of the commission were at first somewhat skeptical about these apparently fantastic reports.

Then came the tracks on the ocean floor, which represented the turning point, according to commission members. They allowed themselves to be

convinced. But it was still something of an international sensation. Up to then no proof had been offered of the existence of such vessels in any country or in any publication.

That is where Suvorov came into the picture. The defense staff began to comb industriously through the literature and found the answer in its own library. There were two books there by the defecting Soviet captain, "The Liberators" and "Inside the Soviet Army," which no one had read very carefully up to that point. The latter contained information in black and white about SPETSNAZ brigades and minisubs. The information was forwarded to the Submarine Defense Commission.

"We just saw the outside of the book," said Sven Hellman, one of the commission's two experts who took part in all the meetings.

Several pages of the book were copied, however, and distributed to the commission so that each member could read them for himself.

This is a summary of what stood on those copied pages:

"In wartime the Soviet Union will mobilize a fleet of large fishing trawlers that carry concealed minisubs in the hold along with diversion units which can easily be launched and later picked up by the trawlers. On board the minisubs are elite soldiers from a top secret organization, SPETSNAZ, which is assigned to murdering the military and political leaders of a hostile country. They are normally disguised as 'sportsmen' and are specialists in rowing, swimming, diving, shooting, boxing, wrestling, karate and running."

"We found confirmation in Suvorov's account that there really do exist Soviet units with minisubs," said Sven Hellman. "We felt it as a relief that there was some documentation about this. We also had confirmation that the minisubs were part of an organization previously quite unknown to us, SPETSNAZ, which made the matter even more serious."

This is how the matter was later presented in the Submarine Defense Commission's report:

"With respect to the Soviet Union, it is known that substantial resources have been invested in recent years in training various types of so-called diversion units intended for use against especially important political and military targets on foreign territory in an early stage of a conflict. Such diversion units are reported to be part of the various Soviet fleets. According to some reports published in the West, these units are equipped with minisubs, among other things."

When one discusses the motive for the incursions, one can also find this variant: "the preliminary stage in a military operative plan (which) might include preparations to utilize the type of special units referred to previously," i.e. diversion units, i.e. Suvorov's "sportsmen."

Now the question is how reliable Suvorov is as a provider of information. There are no reports that the commission ever discussed the reliability of this information.

Since the alleged defection a few years ago, Suvorov has published two books. The first one, "The Liberators," consists of a collection of squad-room stories from various Soviet regiments, accounts sprinkled with curses and sexual terms as well as violent attacks against his former homeland.

According to Suvorov, communism should be tested on dogs instead of people and Lenin was a degenerate sadist, a pederast and a murderer of children. The book ends with a powerful execution scene, after which Suvorov adds that he himself was condemned to death and that this is why he defected and now lives happily in the West.

"A unique document," the London publishing firm of Hamish Hamilton, which published this nonsense, wrote. Last year, in other words 1982, "Inside the Soviet Army," a pamphlet as full of hate as the previous book, came out, with detailed allegations about the entire Soviet military apparatus mixed up with irrational exaggerations and passionate abuse. Some examples:

"Inside the Soviet Army" is written from a western perspective, more precisely an American one, and the authors (there are obviously several) appear to belong so far out on the right wing that by comparison Reagan and the John Birch Society are leftists.

The distinguished Swiss military journal, INTERNATIONAL DEFENSE REVIEW, no longer deserves to be called "distinguished" after having published Suvorov's article and the Swedish mass media should be rebuked for having uncritically swallowed and disseminated the information he provided.

Gotland Sub Defenses Strengthened

Stockholm DACENS NYHETER in Swedish 21 Oct 83 p 5

[Article by Erik Liden]

[Text] Submarine defenses around Gotland will be reinforced and customs boats will be equipped with modern hydrophones. The extra 250 million kronor provided for sub hunting will be used for this purpose.

That is the answer Defense Minister Anders Thunborg gave Thursday in Riksdag to a question from Gothe Knutson (Conservative) as to why the customs cruiser TV 101, which is stationed in Slite, did not retain its hydrophone equipment after it was rebuilt.

"In a supplemental bill, I will explain how the 250 million kronor the government is providing for submarine defenses will be used according to

the proposals of the Supreme Commander of the Armed Forces and the head of the navy," Thunberg said. "When TV 101 was rebuilt it was decided that the hydrophone was too bulky and oldfashioned. At that time the chief of the navy did not have the money to pay for a new modern hydrophone for TV 101.

"In November I will receive suggestions for reinforcing Gotland's submarine defenses and I can guarantee that customs boats will also get new hydrophones with the best available technology."

Göthe Knutson did not get a concrete answer to a complementary question as to whether this also applied to TV 101's sister ships, located in Nynäshamn, Umeå, Simrishamn and Göteborg, however.

Conscript Call-Up for Anti-Sub Role

Stockholm DAGENS NYHETER in Swedish 2 Nov 83 p 2

[Text] Supreme Commander Lennart Ljung is now requesting the right to call up conscripts himself in order to improve readiness in the event of submarine violations.

Today all extra call-ups of conscripts with the exception of call-ups for retraining maneuvers must first be approved by the government.

OB Ljung's proposal for improving submarine defenses in the short term was submitted to the Defense Ministry on Tuesday.

In addition to simplifying the procedure for calling up conscripts, OB wants 270 million kronor in total additional funds up until 1987. The navy will use this money to step up the acquisition of the already planned four coast corvettes which were originally slated to be ordered in 1986/87.

The Supreme Commander wants these four vessels to be delivered at the same time as the two coast corvettes, "Stockholm" and "Malmö," which are now being built at the Karlskrona Shipyard.

The two minesweeping vessels of the M-80 type, "Landsort" and "Ärholm," which will be delivered to the navy at the beginning of next year, will also improve sub-hunting capability. The M-80 has very sensitive hydrophones that can detect vessels on the ocean floor.

OB said that they have already started to improve submarine preparedness with the help of the permanent personnel already working for the armed forces.

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SUBMARINE INCIDENTS INCREASING RECRUITMENT IN AUXILIARY FORCE

Stockholm SVENSKA DAGBLADET in Swedish 27 Oct 83 p 11

[Article by Omar Magnergard]

[Text] On a staircase midst whirling fall leaves mother and daughter sit, both in the green uniforms of the military. The volunteer Radio Organization (FRO) is on maneuvers.

"It has been eight years now since I joined, and I have not regretted it for a second," Annelie Lonnestahl said.

She is an office worker. Almost every weekend since July she has been "in the bush." Setting up communications stations. Struggling with radios. Laying wire. Calling out "Petter Adam" and "Qvintus Viktor."

"You get a lot of fresh air," she said. "But the most important thing for me is that I know I am doing something for my country."

This windy and rainy Sunday -- and in the evenings during the week -- tens of thousands of people learn and train voluntarily.

Want to be Prepared

They want to make a contribution if there should be a war -- and they want to be prepared.

They know that in central Europe -- north of the Alps and west of the Ural mountains -- there are five million men under arms today in the Warsaw Pact and NATO. The Swedish defense forces are very important for stability. If the belief in our ability to defend ourselves diminishes, the result can be that both sides will seek access to Swedish territory.

If there should be a war next week, and if Sweden should mobilize, our defense force would consist of about 290,000 men.

The auxiliary force today is 661,800 persons -- plus 115,000 in the home guard. Most of them will join military units if there is a mobilization. Each year

a good 200,000 -- women, those exempt from military duty, overaged people -- help the defense forces as they can. They have signed an agreement and committed themselves to work. As dispatch riders, animal tenders, as bus and truck drivers, in office work, food service, and as medical assistants.

A Unique Resource in the World

A unique resource in the world. Foreign ambassadors and defense attaches have reported accurately -- and enviously -- to their countries about this for decades.

Commander in Chief Lennart Ljung:

"Colleagues who come here to visit say they are surprised at the extent and intensity of our auxiliary force."

From it the army, navy, and air force receives not only help, but also a good increase in able, ambitious soldiers to command. The commander-in chief stresses that these people significantly increase the ability of the defense forces to subdue an attack against Sweden.

Lennart also looks upon them as good indicators of defense attitudes in society.

"Can one get a better impression of the willingness for defense than when people voluntarily sign up and work with us?" he asks.

Military defense costs 20 billion a year. The auxiliary force about 150 million.

"The" and the other submarine incidents have disturbed the Swedish people and made them aware. Just like the events in Poland and Afghanistan. And the deployment of nuclear weapons in Western Europe.

The ranks of the 21 different organizations in the auxiliary force have never been so full as now. Many are talking about lines and about the administrative problems in taking on more members. Annelie Lonnedahl's radio organization, for example, was increased to the ideal basis with two retired people who take care of the office part time.

Affected by Submarines

Another example: the voluntary automobile group has increased in a few years from 1,200 to 6,552 members. In time of war, these drivers will see to it that the civilian bus service continues to function. And that coffee, hard bread, or whatever is brought to threatened locations before the heavy attack of the enemy.

Group Commander Curt Hermanson:

"Defense willingness is now something quite different from before. There is no question but what the submarines have caused this."

General Secretary Bjorn Orward, Central Organization for Leadership Training:

"The submarines have been very significant, just as has the aggravation in the North and the whole security policy situation. The situation has become more serious. And with it, engagement."

Greater Understanding Now

Annelie and Anne Catrine Lonnedahl agree in their Ra 122 station.

"My friends have more understanding for my idealism now," Anne Catrine explains. She is a mental health nurse.

She has been in the FRO for three years but has still not signed an agreement. But her mother, Annelie, has. If there is war, Annelie Lonnedahl will work as a unit chief in the home guard.

In spite of their civilian jobs, both of them say that they are very much interested in radio and technical things. They have been able to further this interest in FRO. Besides this, they have met pleasant like-minded people, and, as has been said, they get a lot of exercise and fresh air. Just in this area 3,700 voluntary work hours have been accomplished since 1 July.

They borrow the material from the crown. The defense forces also work in these locations when the FRO is not there. And mother and daughter practice calling amidst the whirling fall leaves.

9424

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COUNCIL OF ECONOMIC ADVISORS IRKS SCHLUTER BY CRITICISMS

Copenhagen BERLINGSKE TIDENDE in Danish 9 Oct 83 p 13

[Commentary by Frank Dahlgaard: "Economic Advisors Out Fighting Contrary Winds"]

[Text] The economic advisors have been exposed at the moment to the most vehement criticism in the advisor institution's 20-year history. This is due especially to their negative attitude toward public economizing, their making light of the problem of the domestic national debt, and their proposals regarding colossal devaluation.

The economic advisors in recent weeks have really entered the "box on the ears way station."

The three advisors have been accused by Metals Economist Steffen Møller of being killjoys and pessimists in their prediction of markedly higher unemployment in 1984, and they are being attacked at the same time by many other professional economists for their negative attitude toward public economizing, their trivialization of the State's debt problem and their partiality toward a big devaluation of the krone.

However, the advisors can calmly rebut the first point of criticism:

The three advisers certainly predict a marked rise in unemployment from 1983 to 1984, but this assessment is shared fully and totally by almost all other analysis institutes. For instance, this is true of the government's Economic Secretariat, the Budget Department's economists, economists in the Labor Movement's Industry Council, OECD economists in Paris, together with a long line of Danish bank economists.

On the other hand, the Industry Council's economists think that unemployment has reached its peak, but that it on the other hand will remain at the present high level far into 1984.

It is actually only Steffen Møller himself who confidently dares to predict a marked drop in unemployment already in 1984.

Moreover, the metals economist's charges against the advisors--for producing systematically negative assessments--are unfounded. Both as far as economic growth abroad and the development of unemployment here at home are concerned, the advisors' predictions in recent years have been mostly too optimistic. This can be documented with dry figures.

Devaluation Debate

The other criticism which is being directed against the advisors with increasing force is, on the other hand, about to develop into a serious problem for the advisor's institution.

It concerns the following subjects: the foreign exchange policy, the public economizing policy, and the State's domestic debt situation.

In these areas the advisors in recent years have stamped around like the famous bull in the china shop.

For example, the advisors proposed in their October 1982 report a big devaluation of the Danish krone, after the newly-in-office four-party coalition government had repeatedly declared that the intent was to conduct a stable exchange rate policy for the krone.

The advisors' report unfortunately came right after the big Swedish shock devaluation of 16 percent, and the result was a new outbreak of the postwar period's worst pressure on the rate of exchange for the Danish krone.

Hoffmeyer's Criticism

National Bank Director Erik Hoffmeyer, who himself in the 60's was an economic advisor, attacked his successors vehemently "for having become involved in an emotional manner in the rate of exchange question," and the four-party coalition government's ministers naturally sharply dissociated themselves from the devaluation proposal.

The criticism of the advisors' devaluation proposal took place at an especially unfortunate time for the proposal's presentation. For the main message of the advisors' proposal in the fall of 1982 was precisely that the hitherto small devaluations should be ceased and a change should be made to a firm rate of exchange for the krone either at the present level of the rate or at a lower level, i.e., a firm rate of exchange for the krone after a big one-time devaluation.

The advisors pointed out exactly that the repeated small devaluations from 1976 to 1982 had driven the interest rate up strongly and that a changeover to a firm rate of exchange policy at one exchange rate level or another could cause a drop in interest rates.

And about this the advisors were undeniably right.

Public Economizing

The most serious complaint against the advisors concerns their views regarding public economizing and the State deficit.

Right since the middle of the 70's the advisors have had a very negative attitude toward public economizing. Both then Top Advisor Bent Rold Andersen and his successor Hans E. Zeuthen (both more or less declared Social Democrats) frequently warned against carrying out public economizing measures with the argument that this only creates more unemployment without bringing down the foreign exchange deficit appreciably.

The latest criticism of the advisors flared up around exactly this question, after POLITIKEN on 9 September printed a feature article by Advisor Erik Gørtz, who once again warned against public economizing measures.

In the last two SØNDAGS BERLINGSKE TIDENDE issues economists Jørgen Grønnegaard Christensen and Ole P. Kristensen directed vehement and momentous attacks against Gørtz and the other advisors for this attitude and in the Budget Department sources say to BERLINGSKE TIDENDE that the advisors "are killing themselves as serious economists if they continue their worthless argumentation against public economizing."

Ølgaard's Criticism

As early as the summer of 1980 former Top Advisor Professor Anders Ølgaard publicly declared himself in disagreement with his successors. At that time Ølgaard said to BERLINGSKE TIDENDE:

"We cannot continue to let public personnel grow by 30,000 people a year. If we were facing a short-term recession, public growth would be a well suited tool for managing employment. But the situation is exactly that we have a structure problem. In addition there is the fact that tax pressure is setting a limit to continued public growth. Both the income tax and consumption taxes are already on the verge of being overtaxed."

Economists Jørgen Grønnegaard Christensen and Ole P. Kristensen together with the Budget Department's economists also point to these problems, and the advisors are being attacked for treating the question of public economizing solely with a narrow short-term concern for employment. All other concerns are passed by by the advisors--including the question of to what extent continued public growth can be financed at all.

State Debt

The fact that the advisors have treated the financing of public expenditures so lightly is presumably associated with the fact that hitherto they have not looked upon the State deficits and the growing domestic State debt as a serious problem!

Herein lies the second question, wherein it is impossible for the advisors to maintain their attitude hitherto much longer if they still wish to be considered serious economists.

In the advisors' report of November 1981 problems concerning the State's domestic debt were trivialized.

It is just a question of "one hand's debt to the other," the advisors wrote confidently. And protests arose from many professional economists and from the Budget Department, which rightly could feel its efforts towards the politicians undermined by the advisors.

An Offhand Comment

Today new Top Advisor Professor Karsten Laursen acknowledges that it was indeed quite an offhand comment.

Now the State's interest payments, at the same time, have become so enormous that it is obvious to anyone that the growing State debt entails an enormous distribution problem:

Interest on State obligations is especially to the advantage of those well off with insurance and pension arrangements, but it is the ordinary tax payer who must foot the bill.

This was seen by former Finance Minister Knud Heinesen already a year ago, and it was precisely the explosive State debt which got the Social Democratic government to give up last fall--and which later led to devaluation of the Danish State's credit worthiness with the distinguished American Standard & Poor's analysis Institute.

Criticism also arose against the advisors when they here in the fall produced an advisors' report which contained no analysis at all of the dramatic changes in the interest rate level, the inflation rate and stock prices. The historical real interest rate taxation or the modification of exchange rate provisions were also not discussed, and the explosive State deficit was hardly mentioned.

In spite of these historical and dramatic changes in economic conditions, the advisors chose in their report to occupy themselves with conditions in the Danish job market in the year 2000.

Miserable Pay

Regardless of what the advisors write and say they will always be criticized from one quarter or another. This can quite simply not be avoided if the advisors want to join in the current economic policy debate.

"Boxes on the ears" are not avoided in the job of advisor, and the job, which is a wide job, is at the same time laborious and poorly paid.

Top Advisor Karsten Laursen today gets 80,000 kroner a year, while his two "rank and file advisors," Erik Gørtz and Ebbe Yndgaard, each gets 60,000 kroner.

To many people these honoraria can appear princely, but in part the advisor's job demands a lot of work in the form of meetings, reading of reports and writing advisors' reports, and in part most advisors can earn far more if they used their time on other things.

Finally, importance is attached to the fact that economic advisors be independent of special interests and business interests.

They Said "No, Thank You"

It has also traditionally been difficult to recruit new qualified advisors.

For instance, it is a public secret that Professor Ellen Andersen of Copenhagen University, who is the brains behind the so-called ADAM model, refused the offer to become an advisor. Professor Niels Thygesen and Professor Nørregaard Rasmussen did the same.

Then Economics Lecturer Bodil Nyboe Andersen a couple of years ago allowed herself to be persuaded to enter the advisor's job as the first woman, but then came an offer for a director's seat at Andelsbanken.

The advisors are in practice self-supplementing, for they themselves recommend their successors for appointment by the minister of economic affairs / government.

There is, however, one single unpleasant exception from this rule:

Independent?

In the 1960's the advisors recommended internationally acclaimed Economics Professor Jørgen H. Gelting of Århus University as a new advisor, but the government said no.

According to what BERLINGSKE TIDENDE has learned, the government at that time asked LO [Danish Federation of Trade Unions], which did not want Gelting appointed as advisor.

Perhaps because Gelting was too harsh, impartial and "non-socialist?"

In any case, Gelting's objective qualifications cannot be placed in doubt by anyone.

Later it was able to be stated that it was no obstacle to being appointed top advisor that the person in question was a declared Social Democrat.

Against this background it can be permitted to place a little question mark after the advisor institution's distinguished independence.

With Professor Gelting as advisor the institution of advisor would hardly have run into the storm of justified criticism which has now arisen around the institution's handling of the public economizing measures policy and the State's debt situation.

The advisors will not avoid a retreat in these areas if they are to maintain their reputation and influence.

8983

OWO 3613/28

CENTRAL BANK'S ACTION TO TIGHTEN MONEY SUPPLY IS QUESTIONED

Copenhagen BERLINGSKE TIDENDE in Danish 15 Oct 83 p 8

[Editorial: "The Money Policy"]

[Text] The National Bank is worried about the strong increase in the amount of money which has now taken place for some time. It cannot be demonstrated that the increased liquidity so far has had destabilizing effects for the Danish economy. But in case of a stronger increase in demand the situation can make it more difficult to control economic development. Therefore, the National Bank has decided to change the rules for the loan and deposit limits for financial institutions in the National Bank. For now these will be established for a month at a time versus each quarter hitherto, and any unutilized limits for October hereafter will not be able to be transferred to November.

With these changes the National Bank has allegedly wanted to create increased preparedness under the present financial conditions. The changes also make possible adjustment of the borrowing access of financial institutions in the National Bank in case of a need for changes in the liquidity policy, as more stable development of the money market interest rate and at the same time tighter control of this interest rate are thereby aimed at.

There is in no way anything dramatic in these money policy adjustments. A continued strong increase in the money supply can be expected to contribute to the release of expansive forces in the economy which it can become difficult to control. However, the development hitherto, against the background of the existing real economic situation and the existing economic prospects for the future, has not given cause for any strong anxiety. The development is known also from a number of other European countries and its causes are the still big State deficits together with subduing of the foreign exchange deficit. Moreover, it is reasonable that the National Bank now, as mentioned, is strengthening its money policy preparedness, so that an undesired development will quickly be able to be curbed.

Besides, the development is an expression of the fact that an important money policy modification has taken place, which has also been seen from the very big drop in interest rates which has been recorded in recent years. All in all this has had favorable effects for the Danish economy, and in many areas there are now signs of a distinct increase in investment. However, there is

still a long way before the increase in business investment has reached a sufficient level. The interest rate has to come down still further, and first and foremost such an improvement in competitiveness against foreign countries must take place that there is really a basis for beginning new business projects. First when industry's construction investment increases to a very noticeable extent will it be possible to say that an economic upswing capable of providing support is under development. For, only in this way can the Danish economy's structure problems be solved for the longer term.

8925

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BRIEFS

EC REPORT ON POVERTY--358,000 Poor Families in Denmark. A total of 357,900 families in Denmark are, according to the EC Commission's definition, below the poverty line, Social Affairs Minister Palle Simonsen (Conservative Party) reports in response to Folketing Member Asbjørn Agerschou (Socialist People's Party). The computation comes from 1981, and the social affairs minister brings to attention the fact that, for one thing, subsidies for children and housing subsidies are not included in the poverty level limit. In 1981 the poverty line was figured at 28,200 kroner. The same year the retirement pension for a single retired person equaled 31,150 kroner. Still, 12.9 percent--or 357,900--of all Danish families were below the line. In 1977, 13 percent of families were below the line. [By RB] [Text] [Copenhagen INFORMATION in Danish 13 Oct 83 p 8] 8985

RAPID RISE IN TRADE DEFICIT--Bigger Foreign Trade Deficit. Denmark's foreign trade deficit increased strongly in September. The increased deficit was due first and foremost to a strong growth in imports. The preliminary figures for foreign trade for September from Danmarks Statistik [Danish Statistical Bureau] show a trade deficit in September, in actual figures, of 1.05 billion kroner versus 396 million kroner in August, and versus a deficit in September of last year of 248 million kroner. The seasonally corrected figures, shipping excluded, showed a still greater deficit, i.e., of 2.07 billion kroner versus 756 million kroner in August, and a deficit of 698 million kroner in September of last year. [Text] [Copenhagen BERLINGSKE TIDENDE in Danish 22 Oct 83 Sect III p 3] 8985

CSO: 3613/28

BUDGET AMENDMENTS DEFEATED AFTER BOYER ADDRESS

Madrid EL PAIS in Spanish 28 Oct 83 p 13

[Article by Gustavo Matias]

[Text] If the economic objectives for next year are exceeded, especially the recommended increase in salaries (6.5 percent), the government would find itself obligated to lower its growth forecasts, with serious consequences for the creation of employment, cautioned Miguel Boyer, minister of economy and finance, speaking before the plenum of the Congress of Deputies yesterday. After 9 hours of debate, the session ended after 9:30 p.m. yesterday evening with the vote on the seven amendments introduced by the conservative opposition, defeating the amendments 178 to 102 with two abstentions.

During the hour and a half required to submit the General State Budgets for 1984 for debate of the seven-amendment package (those of all parties except the socialists), Boyer said that the buying power [of the currency] has increased this year from a half to a full point, and that it is now necessary to pass to a second phase of the recovery, not based on consumption or on public outlays, but on exports and private investment.

It is very probable, he said, that the government's initial forecasts are being exceeded with regard to economic growth (2.1 percent as compared to 2 percent initially and 1.7 percent predicted last summer); the consumer price index (11.5 percent or 12 percent, with an improvement of almost a point above the differential for industrialized countries), in spite of the dollar, the rise in the price of raw materials, and the fact that "there will be an updating in the price of oil before the year ends," the real increase in exports (above the 5 percent announced); a loss of reserves, which will not exceed 500 million dollars, against the feared decline of 1.0 billion to 1.5 billion, and the decline of 3.8 billion in 1982 (at the end of October the reserves will stand at the same level found by the socialists [on coming to power]); the checking of the expectations of depreciation of the peseta and its cut during the last 2 months on the credit markets; the containment of the deficit of the public sector; the steadiness of investment as against the 0.7 percent decline expected by the government at the beginning of the year, and the success of the control of the monetary aggregate, which will end the year at 10 percent as against the 15 percent targeted in principle.

Unemployment Will Continue Growing

These figures, which Boyer contrasted with the record of catastrophic predictions, are more favorable than those laid before the budget committee two weeks ago: something more than 1.7 percent growth (state secretary for planning) and 9 percent liquid assets available (governor of the Bank of Spain). Although more optimistic than those of the private services, which indicated a deterioration in activity commencing at the end of the summer, they coincide with the view of the latter in the sense that the situation has improved.

On the other hand, the indices with which "we cannot be satisfied," according to Boyer, are those on the "probable worsening of the employment situation, no less painful because it was foreseen, to the point of being of prime concern to the government"; the stagnation of imports in addition to their anticipated fall off in real terms; the reduction in dollar income from tourism and from emigrants' remittances, all of which notwithstanding the deficit of the current balance (goods and services) at the end of October has come down 300 million dollars, with a reduction of 1.0 billion in payments for imports over income from exports; "the sizable salary increases which have run up a half point on buying power of the currency at the general level, and perhaps a full point with respect to large enterprises," and the fact that we have not been able to reduce interest rates," although those of the interbank market are at high levels in order to curb the outflow of foreign currency.

According to Boyer, unemployment will increase this year by 160,000 persons, that is to say, 7.8 percent as compared with 14 percent in 1982 and 33 percent in 1981. Employment between the average of the year 1982 and the 1983 average--which thus takes in 6 months from 1982 and all the months of 1983--will probably drop off by about 80,000 jobs, or less than 0.8 percent, and between the fourth trimester of 1983 and the fourth trimester of 1982 by about 30,000 jobs or 0.3 percent in all. He added that between the last trimester of this year and the last of 1982 "an increment in unemployment of 19,000 persons can be expected" which would mean a standstill in comparison with the 12 percent of last year and the 21 percent of 1981.

Although in 1984 "prospects should be more favorable, the goal of growing 2.5 percent is ambitious and difficult to attain," owing to the fact that the international economic and political climate does not permit us to expect great amounts of assistance. On this account the government intends "to pull out all the stops." He then spelled this out to mean that "the drift of salaries" away from the 6.5 percent recommended in the light of the anticipated 4 percent inflation rate "should be checked"; that employment should grow 1.7 percent (that would mean the creation of 180,000 jobs); that the rate of rise of disposable liquid assets should be maintained at 10 percent with two points' leeway above or below this rate in order to finance investment (at 12.5 percent with the same leeway if all former monetary assets are included).

Boyer emphasized that the greatest efforts of the state budgets for 1984 center on the 26 percent increase of outlays for pensions and social security, 29.9 percent in subsidies for agriculture, and 26 percent in aid to industry and reconversion.

GP, AP ON BUDGET BILL INCONSISTENCY, PRIVATE SECTOR DISINCENTIVE

Madrid EL PAIS in Spanish 21 Oct 83 p 53

[Text] Madrid. The draft bill for the state's General Budget of 1984 prepared by the government is totally inconsistent with the macroeconomic plan presented by the executive branch, according to a statement made yesterday by Abel Matutes who is one of the Popular Group's spokesmen in economic affairs. For the major opposition party the budget is a matter of grave concern because it is likely to curtail private activity as a result of the excessive role played by the public sector.

The burden of the public sector on the overall economy, which according to Popular Alliance officials amounts to 40 percent, is one of the major problems facing Spanish society. The figures worked out by this party show a 20 percent increase in the estimated expenditures for 1984 which amount to a 10 percent increase in real terms if the projected rate of inflation turns out to be correct.

During yesterday's press conference Abel Matutes said that the government was trying to offset this big increase in public expenditures by increasing taxes and maintaining a large public debt which only serves to mortgage the future of society.

The representative of the Popular Group noted that the only practical method to reduce the deficit was to cut back on public expenditures and particularly on all expenditures not intended to generate new investments and this, according to him, is what the draft budget presented by the socialist government fails to do.

Although he made no specific mention of expenditures which, in his view, should be kept at the same level or cut back in real terms, Abel Matutes said that the national deficit could be reduced by 1.5 or 2 percent instead of the modest 0.5 percent cutback envisaged by the government.

The spokesman of the Popular Alliance thinks that a large deficit in the public sector will only result in a vastly increased indebtedness for the government, something which will have to be dealt with by future generations when the Spanish debt has to be paid and refunded. Moreover, because nothing is being done to effectively curtail that deficit, they will have to maintain very high interest rates on borrowing which will lead to a greater recession in the private sector of economic activity.

DETAILS ON APPLICATION OF RURAL BENEFITS

Madrid EL PAIS in Spanish 21 Oct 83 p 54

[Article by Rodolfo Serrano]

[Text] Madrid. The new scheme which, starting in 1984, will replace the Community Employment Program will only go into effect in the regions of Andalucía and Extremadura according to a document prepared by the National Employment Institute [INEM]. The benefits distributed under this scheme will be of a welfare nature and will cost close to 27 billion pesetas a year. The benefits will be paid for a maximum period of 6 months and will amount to 804 pesetas per day representing 75 percent of the daily interoccupational minimum wage [SMI].

The document prepared by the INEM states that these will be welfarelike benefits due to the impossibility of setting up a contributory benefit scheme which would require very high contributions or else would have "to start with an unacceptable built-in deficit."

According to the document, the special nature of the group targeted calls for the establishment of geographical criteria which eliminate all autonomous regions with the exception of Andalucía and Extremadura. The program, therefore, will only be introduced in regions with a seasonal unemployment which is potentially higher than the national average and where the unemployment figure for agricultural workers is proportionally higher than in other regions.

The conditions required to be entitled to the welfare benefits are: the worker must be between the ages of 16 and 65; the worker must not be unemployed due to his own fault; he must be a member, or be classified as a member, of the Special Agrarian Scheme; he must be covered for a minimum of 60 actual daily wages with contributions made during the 12 previous calendar months; he must be registered in the employment offices; he must not have an unearned income equal to or higher than the interoccupational minimum wage and he must not be in charge of a farm requiring more than 100 theoretical workdays.

The benefits will be paid for a maximum period of 6 months and will amount to 804 pesetas per day (75 percent of the SMI) plus 93 pesetas on account of the agricultural "coupon." When the 6 months are exhausted, the worker will not be entitled again to the benefits for another year. The program will be managed by the INEM.

The year 1984 is considered to be a transition year and, in this connection, the document states that "the group of people to which the scheme applies will be casual workers working for others and who have been the recipients of community employment in 1983."

During the program's first year the average number of beneficiaries per month has been estimated at 165,000 requiring an expenditure of 26,641 million pesetas in 1983. Two estimated figures have been put forward for the cost of benefits on an average year. According to the first estimate the cost will be 20,681 million pesetas and according to the second 26,975 million.

8796

CSO: 3548/53

INI SHIPYARD RECONVERSION PLAN CUTS JOBS, PRODUCTION

Madrid EL PAIS in Spanish 28 Oct 83 p 57

[Article by Carlos Gomez]

[Text] The reduction of 20,000 jobs in the [shipbuilding] sector, practically one half of the present workforce, and the reduction of productive capacity to some 450,000 or 500,000 gross compensated register tons (TRBC)--its present capacity is 850,000 TRBC--steps which may lead to the concentration and possible closing down of a number of installations, are the salient features of the shipyard reconversion plan which the administration has worked out and which in a few weeks--about mid-November--will be discussed with trade unions and managements in the sector, according to completely reliable sources.

The feasibility of the shipyards, transmitted a very short time ago from INI [National Industrial Institute] to the government, outlines a number of scenarios. In the most optimistic of these, according to the sources cited, consideration is given to the consequences which would flow from two hypotheses. The first proposal would continue the present premium or subsidy of 15 percent above the contracted price of the ship, however the public sector would discontinue the practice of purchasing ships on a loss basis. The consequence of this proposal would be the closing down of all the yards, since the Spanish shipbuilding industry would find itself out of the market, incapable of competing.

The second "optimistic" hypothesis proposes raising the premium to the shipbuilding industry from 15 to 22 percent, and with this, over a four year period, it would be possible to generate a demand for some 450,000 or 500,000 TRBC (which is something more than half of our present capacity) provided that the work force is reduced by about 20,000 workers.

Official Assistance

The production referred to would be shared equally among the large shipyards and the medium and small sized yards; but the layoffs will probably be more

numerous (some 12,000 or 12,500) at the large yards than at the medium and small size yards (7,500 or 8,000).

Even if these measures were to be taken promptly, according to our sources, there is no way of avoiding a very serious crisis in 1984. The orders, which in this industry are submitted months in advance of the construction of the ship, would not reach by 1984 the modest TRBC goals anticipated by the second proposal. What is more, last year 300,000 TRBC of shipping were constructed for nonexistent owners. These ships, which have been constructed solely to keep the shipyards in operation, are now tied up in the yards.

Several European countries, which for years have also suffered a crisis, although they have met it with greater speed and in better circumstances, count on shipbuilding construction subsidies which vary between 27 and 30 percent of the contracted value of the ship, and count on financing which in individual cases ranges between 70 and 100 percent of the balance of the ship's value.

In Spain, until now, besides the 15 percent subsidy, official financing has been offered for 12 years at 8 percent interest, in an amount corresponding to 85 percent of the ship's value. In addition to this assistance, the public sector has been contracting for ships on a loss basis, in order to contribute to maintaining the yards in operation. With the present restructuring, an effort is being made not only to save as much as possible of this industry, but also to provide a better accounting of the contributions of the taxpayer to the shipbuilding industry.

In small and medium sized shipyards, where there are 35 firms, it will be necessary to proceed to the concentration of installations, to the merger of corporations, and even to the disappearance of some firms. In large yards the problem arises in the determination of which installations are going to be affected by staff reductions or closures and which installations are going to continue in operation. The decision for technical reasons here becomes much more complicated than in the case of the iron and steel industry, where the Sagunto option is more straightforward. In one case it may be decided to proceed to the construction of offshore oil drilling platforms or other products instead of ships, but even in these areas world demand is very depressed.

12383

CSO: 3548/65

MADRID-LISBON IMPASSE OVER FISHING, TRADE

Madrid ABC in Spanish 27 Oct 83 p 57

[Text] Lisbon-- The Portuguese-Spanish technical talks preceding the Iberian "summit" planned for November have come to an end without reaching any sort of agreement on fishing issues, and barely with the establishment of a basis for later negotiations on trade issues. So the "summit," if the political intention to hold it still remains--as seems likely--would appear to be more of a starting point for a new beginning in relations between the two Iberian countries than a culmination of a process that could produce specific results.

On the fishing rights issue, the Portuguese are still locked into positions which, from a legal and technical point of view, are deemed "unacceptable" by Carlos Blasco, the director general of international economic relations and the head of the Spanish negotiating delegation.

This delegation has held two rounds of work sessions in Lisbon with its Portuguese counterpart, the first on 17 and 18 October and the second yesterday. It is not expected that these talks will be continued before the "summit" scheduled to be held on 11 and 12 November.

"We reached no basis for negotiations on fishing issues." "The Portuguese want to exclude any Spanish presence in the 6 to 12-mile area, they want all of the 'cigala' [species of crustacean] catch, and in the 12 to 200-mile limit, they want a balance of interests which they did not spell out in any detail," reported Carlos Blasco.

According to the head of the Spanish negotiating team, there should be no special problems about fishing in border areas, practically no problems about fishing rights in the Mino river, and a few problems, which could be negotiated, about the

Guadiana area. The latest Spanish position was to accept no exclusion from the waters in the 6 to 12-mile area, since there is a bilateral agreement which will be in effect until 1989. This agreement entitles Spanish fishermen to fish in these waters.

"We can not give up our legitimate rights," said Carlos Blasco, "although, if they had offered us some plausible explanation of a biological nature, we might have accepted a temporary suspension of the exercise of these rights."

"Nor can we accept an attempt by the Portuguese party to reserve for Portugal the "cigala" catch beyond the 12-mile limit. On this point we are prepared to negotiate a percentage of the catch, possibly in exchange for the right to purchase part of the Portuguese catch."

On the issue of trade relations, some advances were made. "We did manage, at least, to develop a negotiating platform on which we can begin to work," said Carlos Blasco.

Portuguese-Spanish trade is regulated by a provision of the agreement which Spain signed in 1978 with the EFTA [European Free Trade Association], of which Portugal is a member. This provision, known as "Annex P," calls for two phases, the first of which lasts until July 1984 and the second until 1989. Spain would like to begin the second phase of this annex, whose ultimate philosophy is to establish a peninsular free trade system.

The Portuguese say they will join the Common Market in the beginning of 1986 and do not want to apply this second phase, but rather to reach an agreement to last until their membership in the Community. The Spanish negotiators would accept this type of agreement if it is contained within the legal framework of "Annex P," as a sort of first part of the second phase stipulated in this annex, which the Portuguese party may be prepared to accept.

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